

File No. 170601

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: Sept. 6, 2017

Board of Supervisors Meeting:

Date: _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER

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|-------------------------------------|--------------------------|------------------------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>OEWD Ltr - May 9, 2017</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Annual Reports - 2009-2016</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CPA Reports - 2008-2015</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Referral FYI - May 24, 2017</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Prepared by: John Carroll

Date: Sept. 1, 2017

Prepared by: _____

Date: _____

1 [Tourism Improvement District - Annual Reports to the City - FYs 2009-2016]

2
3 **Resolution receiving and approving annual reports for the Tourism Improvement**
4 **District for FYs 2009-2016, submitted as required by the Property and Business**
5 **Improvement District Law of 1994 (California Streets and Highways Code,**
6 **Sections 36600, *et seq.*), Section 36650, and the District's management agreement with**
7 **the City, Section 3.4.**

8
9 WHEREAS, On October, 2008, pursuant to the Property and Business Improvement
10 District Law of 1994 (the "Act"), California Streets and Highways Code Sections 36600 *et*
11 *seq.*, as augmented by Article 15 of the San Francisco Business and Tax Regulations Code,
12 the Board of Supervisors adopted Resolution No. 430-08, expressing the City's intention to
13 establish the Tourism Improvement District; and

14 WHEREAS, On December 16, 2008, the Board of Supervisors adopted Resolution
15 No. 504-08 establishing the Tourism Improvement District ("Resolution to Establish") for a
16 period of 15 years, commencing January 1, 2009; and

17 WHEREAS, On July 28, 2009, the Board of Supervisors adopted Resolution
18 No. 323-09, authorizing an agreement with the owners' association for the
19 administration/management of the Tourism Improvement District, and a management
20 agreement (the "Management Contract") with the owners' association, the San Francisco
21 Tourism Improvement District Management Corporation, was executed accordingly; and

22 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
23 of Supervisors in File No. 090819; and

24 WHEREAS, On December 10, 2013, the Board of Supervisors adopted Resolution
25 No. 441-13 amending the Tourism Improvement District's Management District Plan to require

1 monthly, instead of quarterly, assessment collection and distribution by the Office of the
2 Treasurer and Tax Collector; and

3 WHEREAS, The Tourism Improvement District has submitted for the Board's receipt
4 and approval the Tourism Improvement District annual reports for FYs 2009-2010, 2010-2011,
5 2011-2012, 2012-2013, 2013-2014, 2014-2015, and 2015-2016 (collectively, "Annual
6 Reports") as required by Section 36650 of the Act and Section 3.4 of the Management
7 Contract; and

8 WHEREAS, The Annual Reports are on file with the Clerk of the Board of Supervisors
9 in File No. 170601, and are incorporated herein by reference as though fully set forth; and

10 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
11 memorandum report from the City's Office of Economic and Workforce Development, dated
12 May 9, 2017, and documentation from the Tourism Improvement District for the Annual
13 Reports are on file with the Clerk of the Board of Supervisors in File No. 170601; now,
14 therefore, be it

15 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
16 reports for the Tourism Improvement District for FYs 2009-2010, 2010-2011, 2011-2012,
17 2012-2013, 2013-2014, 2014-2015, and 2015-2016.

MEMO

To: San Francisco Board of Supervisors

CC: Mayor Edwin Lee

From: Chris Corgas, OEWD Senior Program Manager

RE: Tourism Improvement District Annual Reports Fiscal Years 2009 – 2010, 2010 – 2011, 2011 – 2012, 2012 – 2013, 2013 – 2014, 2014 – 2015, and 2015-2016

Date: May 9, 2017

This is a memo summarizing the performance of the Tourism Improvement District (TID) and an analysis of its financial statements (based on their audits) for the period between July 1, 2009 and June 30, 2016.

Each year the TID is required to submit an annual report, and a CPA Independent Auditor's Report. The TID has complied with the submission of all these requirements. OEWD staff, with assistance from the Office of the Controller, City Services Auditor Division, reviewed these financial documents to monitor and report on whether they have complied with the rules per the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 Et Seq.; San Francisco's Business and Tax Regulations Code Article 15; the San Francisco Tourism Improvement District Management Corporation's management contract with the City for the TID; and the Amended TID Management District Plan approved by the Board of Supervisors in 2013.

Also attached to this memo are the following documents:

1. Annual Reports
 - a. FY 2009 - 2010
 - b. FY 2010 - 2011
 - c. FY 2011 - 2012
 - d. FY 2012 - 2013
 - e. FY 2013 - 2014
 - f. FY 2014 - 2015
 - g. FY 2015 - 2016
2. CPA Independent Auditors' Report
 - a. FY 2009 - 2010
 - b. FY 2010 - 2011
 - c. FY 2011 - 2012
 - d. FY 2012 - 2013
 - e. FY 2013 - 2014



- f. FY 2014 - 2015
 - g. FY 2015 - 2016
3. Proposed Resolution to approve the TID annual report for FYs 2009 – 2010, 2010 – 2011, 2011 – 2012, 2012 – 2013, 2013 – 2014, 2014 – 2015, and 2015 – 2016.

Background

The TID is a business-based assessment district that includes all tourist hotels operating in the City & County of San Francisco that generate revenue from tourist rooms, and which are located in the following geographic areas:

Zone 1: Tourist hotels with addresses:

- On or east of Van Ness Avenue
- On or east of South Van Ness Avenue, and
- On or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay.

Zone 2: Tourist hotels with addresses:

- West of Van Ness Avenue and South Van Ness Avenue, and
- South of 16th Street.

The TID includes both privately and publicly owned properties. The district covers 27 blocks and includes approximately 588 parcels.

- December 16, 2008: the Board of Supervisors approved the resolution to form the Tourism Improvement District Business Improvement District to cover hotels identified in the District’s Management Plan and Engineer’s Report. Resolution # 504-08).
- July 28, 2009: the Board approved the contract for the administration and management of the Tourism Improvement District Business Improvement District (Resolution # 323-09).
- December 10, 2013: the Board of Supervisors approved an amendment to the District’s Management Plan to authorize monthly, instead of quarterly, assessment collection and distribution. (Resolution #441-13).

Basic Info about Tourism Improvement District BID:

Year Formed	December 2008
Assessment Collection Period	FY 2009-10 to FY 2018-19 (July 1, 2009 to June 30, 2023)
Services Start and End Date	January 1, 2009 – December 31, 2023
Initial Estimated Annual Budget	\$27,000,000
Fiscal Year	July 1 – June 30
Executive Director	Lynn Farzaroli
Name of Nonprofit Owners’ Entity	San Francisco Tourism Improvement District Management Corporation

The current BID website is <http://www.sftid.com/>.

Summary of Program Areas

Marketing and Promotions

This service area includes, but is not limited to, the marketing and promotion of programs, oversight for marketing and promotion staff, ad creation, media placement, and startup costs related to satellite offices.

Administration and Personnel Services

This service area includes design, engineering, planning, and entitlements for activities and services for the expanded Moscone Convention Center and renovation/upgrades to capital improvements of Moscone Convention Center North, South, and West.

Contingency/Reserve/Administration and City Administration/Costs of the TID/Formation Costs

This service area is used to cover the administrative costs and expenses of the non-profit management corporation that administers the TID and reimbursement of formation costs. This includes payment of unforeseen costs and escalation for the two improvement areas listed just above; and a proportionate share of the SFTIDMC administrative and operational costs.

Summary of Accomplishments, Challenges, and Delivery of Services

FY 2009 - 2010

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Added a citywide sales manager in Washington D.C, allowing SFCVB to provide better prospect and provide customer support in the Eastern United States.
- Generated 5,067,132 lead room nights for future citywide and self-contained meetings; 101% of target
- Booked 1,751,210 room nights for future citywide and self-contained meetings; 102% of optimal year target
- Established a comprehensive visitor research program
- Launched a marketing program to attract LGBTQ travel to San Francisco

Services and Improvements to Moscone Convention Center

- Restroom renovations with new fixtures, tile, paint, partitions
- Upgraded lobbies
- Upgraded kitchen
- Digital displays and telecom/data cabling upgrades
- Elevator and escalator improvements
- Met new ADA requirements
- New carpet, paint, lighting, and ceilings

FY 2010 - 2011

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Hosted International Pow Wow 2011
- Held three days of pre-scheduled business meetings at Moscone Center
- Maintained and/or enhanced all principal existing sales programs at SFCVB
- Launched a new marketing campaign called, "49 hours of San Francisco – Arts 7 Culture" to drive overnight visitation to San Francisco
- Began renovation of visitor center at Hallidie Plaza
- Nearly 2,000,000 room nights booked

Services and Improvements to Moscone Convention Center

- City information desks in Moscone north, South, and West
- Pursued LEED Gold Certification
- Variable-speed control and other HVAC upgrades
- New carpet, painting, lights, and ceiling

FY 2011 - 2012

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Brought nearly 1,000 travel industry professionals to San Francisco for familiarization tours
- Generated 759 new tourism leads and 91 new programs
- Hosted trade shows and promotional events in the U.S., Canada, Asia, Europe, and Australia
- Conventions generated 1,150 meetings with \$1.1 billion in direct spending
- Operates visitor center at Hallidie Plaza
- Continued 49 Hours and Dine about Town campaigns

Services and Improvements to Moscone Convention Center

- Completed new carpeting, lighting, and ceilings
- Completed kitchen upgrades
- Completed lobby upgrades
- Installed the most robust convention WiFi system in the country

FY 2012 - 2013

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- 1,285 meetings held in San Francisco
- More than 2 million room nights booked
- 425,000 visitors at the Visitor Information Center
- More than 4 million international visitors to San Francisco
- Over 6 billion media domestic and international media impressions, which equates to more than \$31 million in value

Services and Improvements to Moscone Convention Center

- Initiated stages for Moscone Convention Center Expansion
- Retained architecture and engineering firm to begin conceptual design for expansion
- Completed concept design for Moscone Expansion

- Formed Moscone Expansion District BID

FY 2013 - 2014

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- 1,360 meetings held in San Francisco
- \$1.3 billion in direct spending from visitors
- More than 1.9 million room nights booked
- More than 300,000 visitors at the Visitor Information Center
- Partnered with SFO on new air service
- Hosted over 1,000 travel professionals
- 4.5 billion media impressions which equates to more than \$300 million in value

Services and Improvements to Moscone Convention Center

- Civic design Review Phase 1 approved by San Francisco Arts Commission
- Oversaw community outreach plan for Moscone Expansion Project
- Published Moscone Expansion Project's Draft Environmental Report

FY 2014 - 2015

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Hosted over 1,000 travel professionals
- Attended over 50 trade shows and events
- More than \$1.3 billion in direct spending
- 400,000 visitors to the Visitors Information Center
- More than 5 billion media impression which equates to more than \$300 million in value

FY 2015 - 2016

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Over 1 million room nights booked in San Francisco
- More than \$1.1 billion in direct spending
- 1,347 meetings held in San Francisco
- 292,000 visitors to the Visitors Information Center
- Hotel sales up 8% and attraction sales up 36% from previous FY

TID Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for TID:

- **BENCHMARK 1:** The variance between the Management Plan Budget and Fiscal Year budget, by service category.
- **BENCHMARK 2:** The variance between the budget amount and actual expenses within a fiscal year.
- **BENCHMARK 3:** Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*).

FY 2009-2010

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2009-2010 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$12,500,000	70%	\$11,530,000	64%	-6%
Administration and Personnel	\$7,200,000	22%	\$5,520,000	31%	+9%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$1,500,000	8%	\$900,000	5%	-3%
TOTAL	\$18,000,000	100%	\$17,950,000	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2009-2010 Budget	% of Budget	FY 2009-2010 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$11,530,000	64%	\$11,530,000	83.8%	+19.8%
Administration and Personnel	\$5,520,000	31%	\$1,751,455	12.7%	-18.3%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$ 900,000	5%	\$486,300	3.5%	-1.5%
TOTAL	\$17,950,000	100%	\$13,767,755	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year.

ANALYSIS: TID met this requirement.

FY 2009-2010 Carryover Disbursement	\$12,865,355
SFCVBD Marketing and Operations	\$12,175,000
Moscone Convention Center Services and Improvements	\$5,995,000
SFRIDMC Administration	\$600,000
Total Designated amount for FY 2010-11	\$5,112,594
Total Designated amount for Future Years	\$7,752,761
Total	\$12,865,355

FY 2010-2011

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2010-2011 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$14,375,000	70%	\$12,959,038	66%	-4%
Administration and Personnel	\$4,600,000	22%	\$5,995,000	31%	+9%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$1,725,000	8%	\$600,000	3%	-5%
TOTAL	\$20,700,000	100%	\$19,554,038	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2010-2011 Budget	% of Budget	FY 2010-2011 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$12,959,038	66%	\$12,959,038	67.1%	+1.1%

Administration and Personnel	\$5,995,000	31%	\$5,844,350	30.3%	-7%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$600,000	3%	\$497,367	2.6%	-4%
TOTAL	\$19,554,038	100%	\$19,300,755	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement.

FY 2010-2011 Carryover Disbursement	\$14,573,685
Designated Projects for FY 2011-12	
Moscone Convention Center	\$7,559,000
Designated Projects for Future Years	
SFCVB Marketing & Operations	\$6,343,295
Contingency/Reserve	\$671,390
Total Designated amount for FY 2011-12	\$7,559,000
Total Designated amount for Future Years	\$7,014,685
Total	\$14,573,685

FY 2011-2012

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2011-2012 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$16,531,250	70%	\$13,413,500	46%	-24%
Administration and Personnel	\$5,290,000	22%	\$15,137,600	52%	+30%
Contingency/Reserves/Administration and City	\$1,983,750	8%	\$600,000	2%	-6%

Administration Costs of the TID					
TOTAL	\$23,805,000	100%	\$29,151,100	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2011-2012 Budget	% of Budget	FY 2011-2012 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$13,413,500	46%	\$15,869,673	50.2%	+4.2%
Administration and Personnel	\$15,137,600	52%	\$15,316,688	48.4%	-3.6%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$600,000	2%	\$451,516	1.4%	-6%
TOTAL	\$29,151,100	100%	31,637,877	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement. See table below.

FY 2011-2012 Carryover Disbursement	\$7,762,994
SFTA Marketing and Operations	\$6,800,512
Moscone Convention Center Services and Improvements	\$291,092
Contingency/Reserve	\$671,390
Total Designated amount for FY 2012-13	\$0.00
Total Designated amount for Future Years.	\$7,762,994

FY 2012-2013

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2012-2013 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$19,010,938	70%	\$17,089,102	65.9%	-4.1%
Administration and Personnel	\$6,083,500	22%	\$8,335,000	32.2%	+10.2%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$2,281,313	8%	\$500,000	1.9%	-6.1%
TOTAL	\$27,375,750	100%	\$25,924,102	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2012-2013 Budget	% of Budget	FY 2012-2013 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$17,089,102	65.9%	\$17,089,102	67.8%	+1.9%
Administration and Personnel	\$8,335,000	32.2%	\$7,540,343	29.9%	-2.3%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$500,000	1.9%	\$567,425	2.3%	+4%
TOTAL	\$25,924,102	100%	\$25,196,870	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement.

FY 2012-2013 Carryover Disbursement	\$9,507,538
Designated Projects for Future Years	

SFTA Marketing and Operations	\$7,624,545
Moscone Convention Center	\$1,211,603
Contingency Reserve	\$671,390
Total Designated amount for Future Years	\$9,507,538

FY 2013-2014

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2013-2014 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$21,862,578	70%	\$17,700,000	77.6%	+7.6%
Administration and Personnel	\$6,996,025	22%	\$4,731,000	20.7%	-1.3%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$2,623,509	8%	\$387,000	1.7%	-6.3%
TOTAL	\$31,482,113	100%	\$22,818,000	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2013-2014 Budget	% of Budget	FY 2013-2014 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$17,700,000	77.6%	\$18,507,141	79.6%	+2%
Administration and Personnel	\$4,731,000	20.7%	\$3,943,443	16.9%	-3.8%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$387,000	1.7%	\$825,733	3.5%	+1.8%

TOTAL	\$22,818,000	100%	\$23,276,317	100%	
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BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement.

FY 2013-2014 Carryover Disbursement	\$13,067,467
Designated Projects for Future Years	
SFTA Marketing and Operations	\$1,485,239
Designated Projects for Future Years	
SFTA Marketing & Operations	\$7,924,394
Moscone Convention Center Capital Fund	\$2,334,361
Moscone Convention Center Incentive Fund	\$652,083
Contingency/Reserve	\$671,390
Total Designated amount for FY 2014-15	\$1,485,239
Total Designated amount for Future Years	\$11,582,228
Total	\$13,067,467

FY 2014-2015

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2014-2015 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$25,141,965	69.4%	\$20,315,239	98.7%	+29.2%
Administration and Personnel	\$8,045,429	22.2%	\$270,000	1.3%	-20.9%
Contingency/Reserves/ Administration and City Administration Costs of the TID	\$3,017,036	8.3%	\$0	0%	-8.3%

TOTAL	\$36,204,430	100%	\$20,585,239	100%	
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BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2014-2015 Budget	% of Budget	FY 2014-2015 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$20,315,239	98.7%	\$21,815,239	97.6%	-1.1%
Administration and Personnel	\$270,000	1.3%	\$547,003	2.4%	+1.1%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$0	0%	\$0	0%	0%
TOTAL		100%	\$3,170,821	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.

FY 2014-2015 Carryover Disbursement	\$15,216,821
Designated Projects for Future Years	
SFTA Marketing and Operations	\$11,558,987
Capital Fund	\$2,334,361
Incentive Fund	\$652,083
Contingency/Reserve	\$671,390
Total Designated amount for Future Years	\$15,216,821

FY 2015-2016

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2015-2016 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$28,913,260	69.4%	\$24,677,500	98.5%	+29.1%
Administration and Personnel	\$9,252,243	22.2%	\$364,500	1.5%	-20.8%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$3,469,591	8.3%	\$0	0%	-8.3%
TOTAL	\$41,635,094	100%	\$25,042,000	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2015-2016 Budget	% of Budget	FY 2015-2016 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$24,677,500	98.5%	\$29,605,500	98.7%	+2%
Administration and Personnel	\$364,500	1.5%	\$374,787	1.3%	-2%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$0	0%	\$0	0%	0%
TOTAL	\$25,042,000	100%	\$29,981,297	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.

FY 2015-2016 Carryover Disbursement	\$11,430,681
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Designated Projects for Future Years	
SFTA Marketing and Operations	\$7,758,049
Capital Fund	\$2,343,805
Incentive Fund	\$654,721
Contingency/Reserve	\$674,106
Total Designated amount for FY 206-17	\$447,000
Total Designated amount for Future Years	\$10,983,681
Total	\$11,430,681

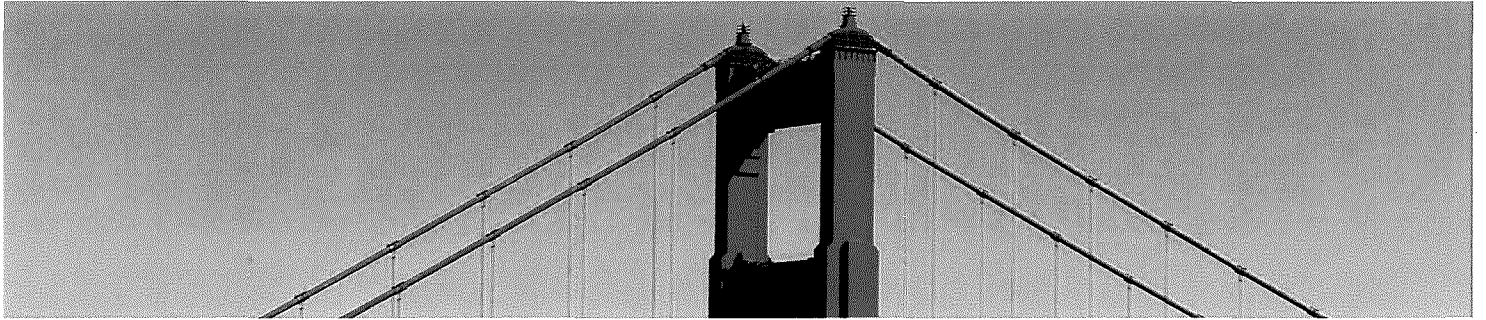
Findings and Recommendations

The Tourism Improvement District met their reporting requirements, mentioned on page 5 of the memo, under Article 15 of the San Francisco Business and Tax Regulations Code, the California Streets and Highways Code, and the organization's management agreement with the City and County of San Francisco.

The TID's website is generally up-to-date; however, some hyperlinks are broken. OEWD recommends the TID fixes broken links in order to connect to site visitors to the correct information. Additionally, the District is out of compliance with the Brown Act by not keeping an agenda of regular board meetings and posting them on the District's website. SFTID should post previous and future board meeting agendas on its website for public view, the organization has begun to take steps to rectify this error. OEWD will work with TID to ensure that this requirement is continually met.

Conclusion

The Tourism Improvement District is following all requirements placed on it by the California Streets & Highways Code, Article 15 of the San Francisco Business and Tax Regulations Code, and the District's Management Agreement with the City and County of San Francisco. The District continues to succeed at its primary purpose of attracting tourism and conventions to San Francisco.



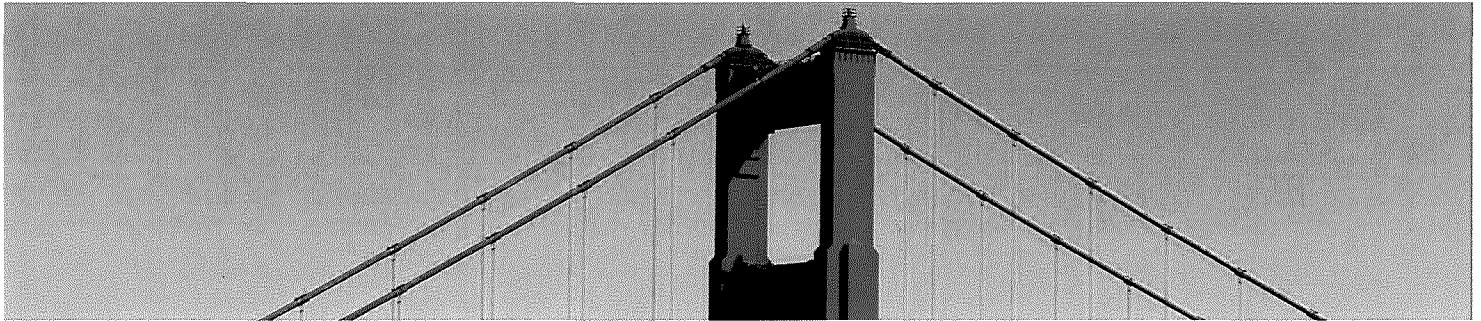
Annual Report | 2015-2016

The San Francisco Tourism Improvement District Management Corporation (SFTIDMC) is the owners association group that over sees the San Francisco Tourism Improvement District (TID) and the San Francisco Moscone Expansion District (MED). The San Francisco Tourism Improvement District Management Corporation, governed by a board of industry representatives, ensures that the funds are used to benefit the assessed businesses by allocating them to San Francisco Travel programs that draw conventions, meetings, events and leisure travelers to San Francisco, and by keeping the city's convention facilities competitive with those of other major cities.

San Francisco Tourism Improvement District

The San Francisco Tourism Improvement District ensures that funding for the San Francisco Travel Association's selling, marketing and promotion of San Francisco as a visitor destination.





SALES AND MARKETING PROGRAM

The purpose of the sales and marketing program of work is to set industry standards and position San Francisco as the most compelling destination in the world. One of the primary objectives is to generate visitor-related economic impact to San Francisco and the region. SFTIDMC contracts the services of the San Francisco Travel Association which, with more than 100 years' of expertise, is well positioned to fulfill this goal.

With the benefit of the TID funding, San Francisco Travel has been able to conduct a comprehensive review and strategic analysis of the industry, and has created a plan that focuses on being proactive and setting new, visionary strategies to lead San Francisco's tourism industry.

Highlights of **San Francisco Travel** activity during FY 2015-2016:

Convention and Meeting Sales

- 1,579,988 million room nights booked
- 1,347 Meeting held in San Francisco
- \$1.17 billion in direct spending
- Sales mission to Washington, DC and Chicago reaching over with over 200 meeting planners
- Attended over 50 trade shows and events

1.58 million

Total room nights booked

Marketing Promotion

San Francisco's balanced mix of convention/ meetings travel, leisure/consumer travel and business travel means that the city isn't as vulnerable to swings in any one market as some other destinations. Leisure visitors comprise 75% of all trips to San Francisco. San Francisco Travel's leisure marketing team has the enviable task of building relationships with, inviting, converting and retaining potential and existing San Francisco leisure travelers.

Visitor Information Center (ViC)

292,000 visitors per year

18 languages spoken by staff and volunteers

During 2015-16 hotel sales were up by 8% and attraction sales up by 36%

SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT



SanFrancisco.travel

6.3 million visitors
\$216.8 million in economic impact

Never the Same. Always San Francisco.

69.7 million impressions
\$41.6 million in economic impact

Holiday Campaign

356.9 million impressions
\$14.2 million in economic impact

Social Media

Facebook 603,000+ LIKES
Twitter 203,000+ followers
Instagram 202,000+ followers

Publications Produced

Visitor Planning Guide, Produced Bi-Annually

- The official leisure visitor fulfillment piece is distributed to 225,000 travelers annually.
 - California Welcome Centers
 - San Francisco International Airport
 - Moscone Center
 - San Francisco Visitor Information Center
 - Macy's/SF Travel Visitor Information Center

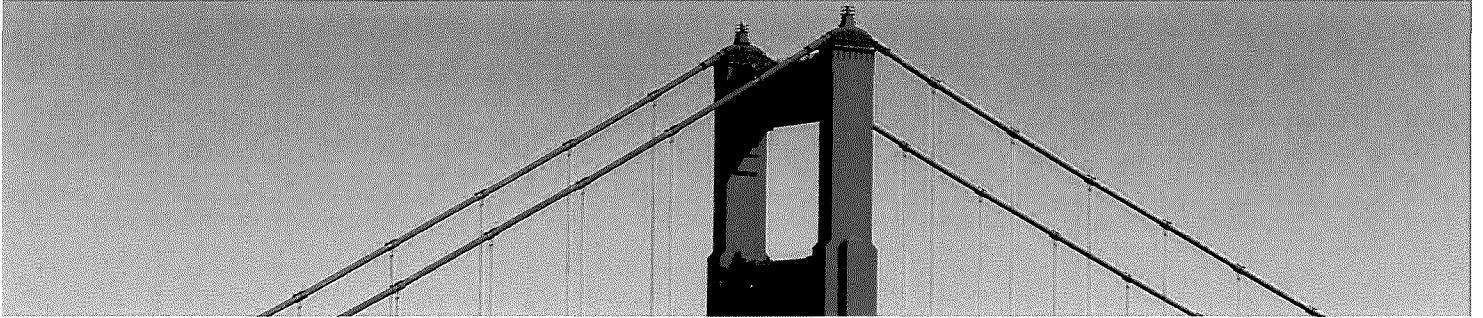
Meeting Planners Guide, annual

- Reach 15,000 meeting and travel professionals who bring high - value travelers to San Francisco.
- Direct-mailed to an exclusive list of meeting professionals, travel agents and tour operators in the U.S. and Canada
- 14 overseas travel representative offices
- US and International Sales Missions

Tourism Sales and Marketing

- 4+ million international visitors to San Francisco
- Partnered with SFO on new air service
- San Francisco Travel hosted over 1,250 travel professionals
- Attended 15 International and Domestic trade shows
- San Francisco hosted 900+ journalists
- Media Coverage
 - 5.8 billion impressions
 - \$375+ million value

**18 Million visitors to
San Francisco**



MOSCONE EXPANSION DISTRICT



- Demolition of the current esplanade lobby occurred December 2015. That was followed by structural steel erection, due to be complete October 2016.
- Project sub-contractor and material buyout 95% complete.
- Project secured a project liaison to help with project communications to clients.
- Continued communications with Convention clients that are booked through the construction years. Moscone Center will remain open and operational throughout the project.
- Over \$2 million was utilized to provide convention customers with rental incentives to attached conventions to San Francisco.
- The project is currently in phase 2, with completion on track for December 2018.

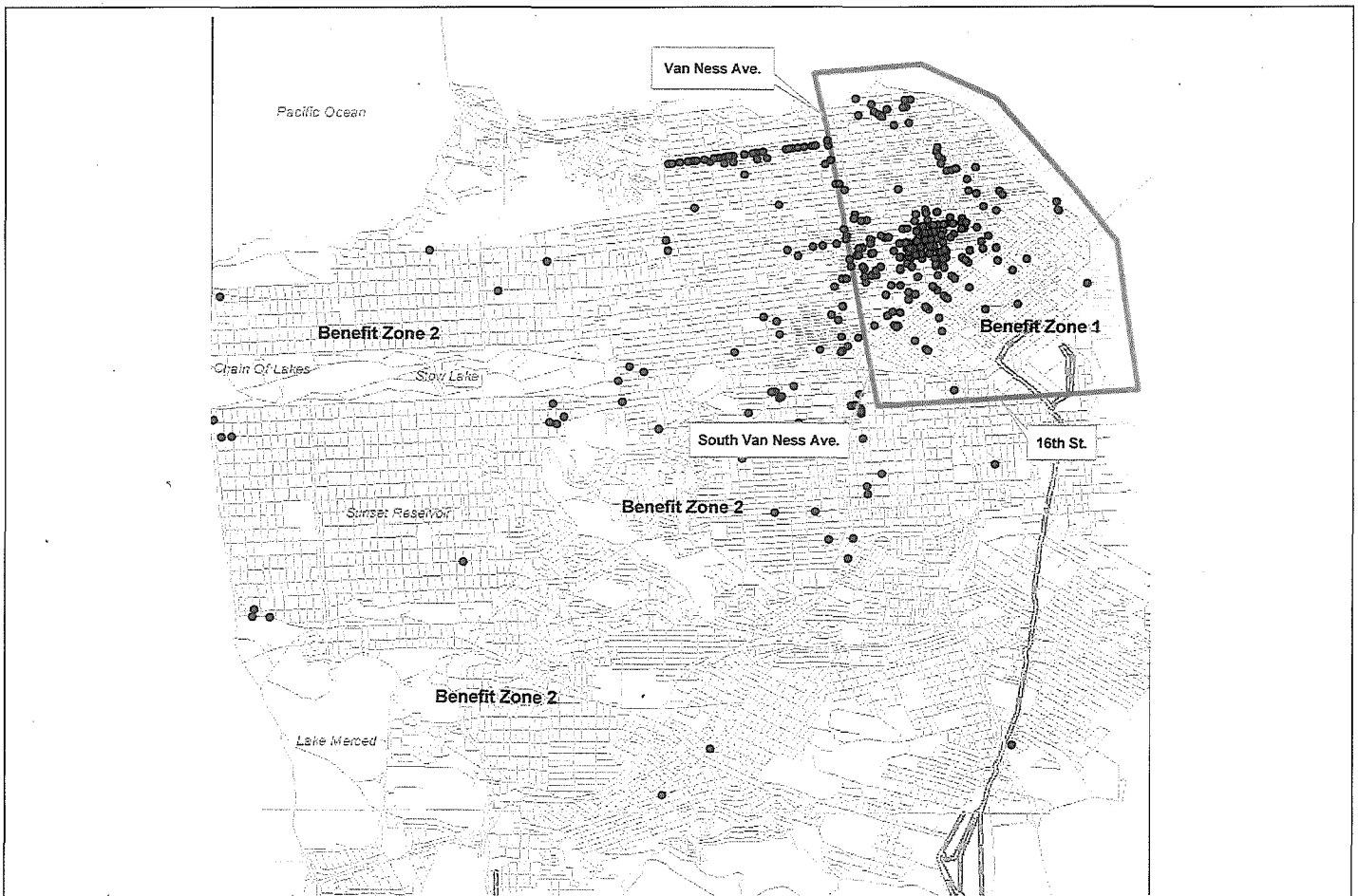


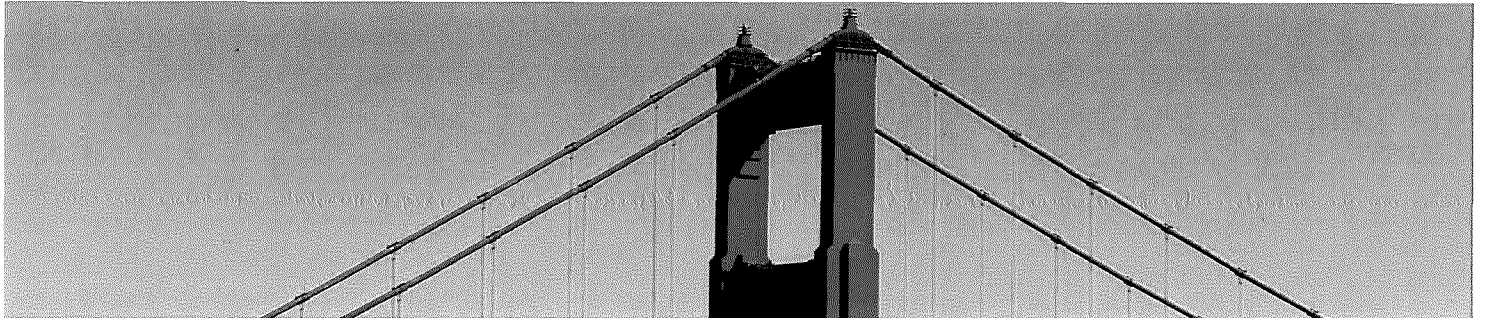
TID and MED COLLECTION METHODOLOGY

Tourist hotels are broken up into two zones. The zones are the same for the TID and MED assessments. Tourist hotels in Zone 1 are assessed 1% of gross revenue from tourist rooms for the TID and 1.25% for the MED. Tourist hotels in Zone 2 are assessed 75% of gross revenue from tourist rooms for TID and .3125 for the MED.

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San Francisco Tourism Improvement District Management Corporation (SFTIDMC)

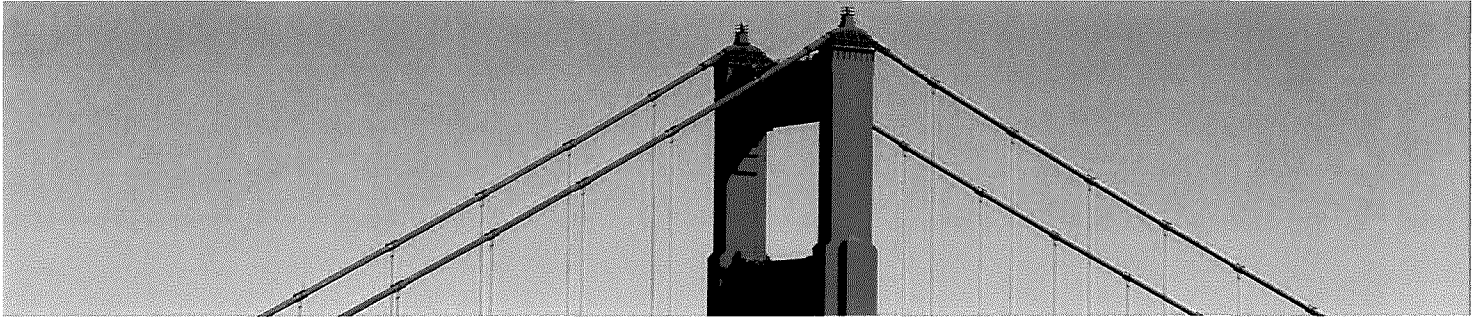
BUDGET & BALANCE SHEET

JULY 2015-JUNE 2016 ACTUAL	TID	MED	Total
INCOME	ACTUAL	ACTUAL	
Assessment Fee	\$26,158,050	\$31,538,330	\$57,696,380
Interest Income	\$37,097	\$112,672	\$149,769
TOTAL INCOME	\$26,195,147	\$31,651,002	\$57,846,149
EXPENSES			
SFTA Marketing & Operations	\$29,605,500	\$0	\$29,605,500
Moscone Convention Center Development and Expansion	\$0	\$15,101,522	\$15,101,522
Moscone Convention Center Capital Fund	\$0	\$193,615	\$193,615
Moscone Convention Center Incentive Fund	\$0	\$3,315,835	\$3,315,835
SFTIDMC Administration and Operating Expenses	\$375,787	\$473,973	\$849,760
TOTAL EXPENSES	\$29,981,287	\$19,084,945	\$49,066,232
NET INCOME	(\$3,786,140)	\$12,566,057	\$8,779,917

JULY 2015-JUNE 2016 BALANCE SHEET	TID	MED	TOTAL
ASSETS			
Cash	\$1,267,715	\$5,657,009	\$6,924,724
Short-term Investment	\$0	\$18,844,625	\$18,844,625
Long-term Investment	\$3,677,468	\$2,075,643	\$5,753,111
Accounts Receivable, Net	\$6,526,555	\$8,203,112	\$14,729,667
TOTAL ASSETS	\$11,471,738	\$34,780,389	\$46,252,127
LIABILITIES			
Accounts Payable	\$21,032	\$2,983,521	\$3,004,553
Accrued Liabilities	\$20,025	\$0	\$20,025
Long-Term - Construction Retention	\$0	\$716,276	\$716,276
TOTAL LIABILITIES	\$41,057	\$3,699,797	\$3,740,854
TOTAL NET ASSETS (CARRYOVER)	\$11,430,681	\$31,080,592	\$42,511,273
TOTAL LIABILITIES & NET ASSETS	\$11,471,738	\$34,780,389	\$46,252,127



JULY 2016-JUNE 2017 BUDGET	TID	MED	TOTAL
INCOME	BUDGET	BUDGET	BUDGET
Assessment Fee	\$24,328,500	\$29,328,500	\$53,657,000
Interest Income	\$0	\$0	\$0
TOTAL INCOME	\$24,328,500	\$29,328,500	\$53,657,000



JULY 2016-JUNE 2017 BUDGET			
	TID	MED	TOTAL
INCOME	BUDGET	BUDGET	BUDGET
Assessment Fee	\$24,328,500	\$29,328,500	\$53,657,000
Interest Income	\$0	\$0	\$0
TOTAL INCOME	\$24,328,500	\$29,328,500	\$53,657,000
EXPENSES	BUDGET	BUDGET	BUDGET
SFTA Marketing & Operations	\$24,405,500	\$0	\$24,405,500
Moscone Convention Center Development and Expansion	\$0	\$25,662,400	\$25,662,400
Moscone Convention Center Capital Fund	\$0	\$293,300	\$293,300
Moscone Convention Center Incentive Fund	\$0	\$2,639,600	\$2,639,600
SFTIDMC Administration	\$370,000	\$452,000	\$822,000
Contingency/Reserve	\$0	\$281,200	\$281,200
TOTAL EXPENSES	\$24,775,500	\$29,328,500	\$54,104,000
NET INCOME	(\$447,000)	\$0	(\$447,000)

PROJECTED CARRYOVER DISBURSEMENT				TO BE USED IN FY	TO BE USED IN FUTURE YEARS
	TID TOTAL	MED TOTAL	TOTAL		
CARRYOVER					
SFTA Marketing & Operations	\$7,758,049	\$0	\$7,758,049	\$447,000	\$7,311,049
Moscone Convention Center Development and Expansion	\$0	\$27,750,446	\$27,750,446	\$0	\$27,750,446
Moscone Convention Center Capital Fund	\$2,343,805	\$260,337	\$2,604,142	\$0	\$2,604,142
Moscone Convention Center Incentive Fund	\$654,721	\$2,190,688	\$2,845,409	\$0	\$2,845,409
Contingency/Reserve	\$674,106	\$879,121	\$1,553,227	\$0	\$1,553,227
TOTAL CARRYOVER DISBURSEMENT	\$11,403,681	\$31,080,592	\$42,511,273	\$447,000	\$42,064,273



SFTID Board of Directors | FY 2015-16

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BOARD VICE-CHAIR

Ralph Lee, General Manager, Whitcomb Hotel

SECRETARY/TREASURER

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Rick Swig, RSBA & Associates

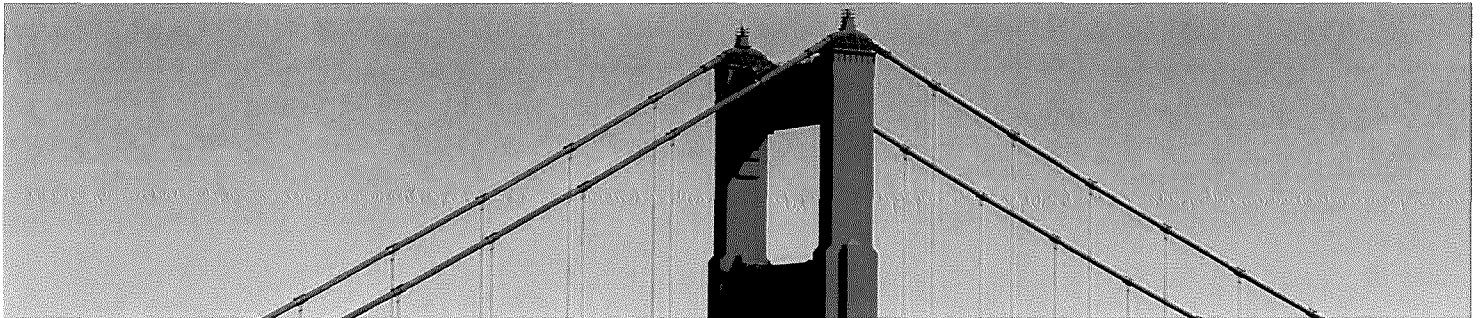
David von Winckler, Kimpton Hotels

Craig Waterman, General Manager, Hotel Kabuki

Ingrid Summerfield, Filament Hospitality

Anne Marie Presutti, Vice President & General Manager, Hotel Nikko

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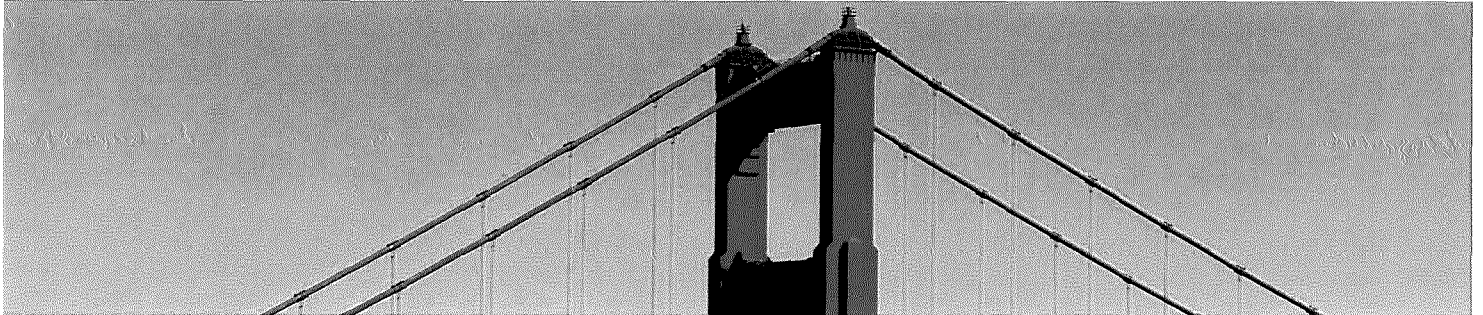
Annual Report | 2014-2015

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San Francisco Tourism Improvement District

The San Francisco Tourism Improvement District ensures that funding for the San Francisco Travel Association's selling, marketing and promotion of San Francisco as a visitor destination.





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The purpose of the sales and marketing program of work is to set industry standards and position San Francisco as the most compelling destination in the world. One of the primary objectives is to generate visitor-related economic impact to San Francisco and the region. SFTIDMC contracts the services of the San Francisco Travel Association which, with more than 100 years' of expertise, is well positioned to fulfill this goal.

With the benefit of the TID funding, San Francisco Travel has been able to conduct a comprehensive review and strategic analysis of the industry, and has created a plan that focuses on being proactive and setting new, visionary strategies to lead San Francisco's tourism industry.

Highlights of **San Francisco Travel** activity during FY 2014-2015:

Convention and Meeting Sales

- Over 10 million room nights in San Francisco hotels
- \$1.3 +billion in direct spending
- Sales mission to Washington, DC and Chicago reaching over with over 110 meeting planners
- Attended over 50 trade shows and events including Meeting Professional International, Professional Convention Management Association, International PowWow

1.9 + million

Total room nights booked

Marketing Promotion

San Francisco's balanced mix of convention/ meetings travel, leisure/consumer travel and business travel means that the city isn't as vulnerable to swings in any one market as some other destinations. Leisure visitors comprise 75% of all trips to San Francisco. San Francisco Travel's leisure marketing team has the enviable task of building relationships with, inviting, converting and retaining potential and existing San Francisco leisure travelers.

Visitor Information Center (ViC)

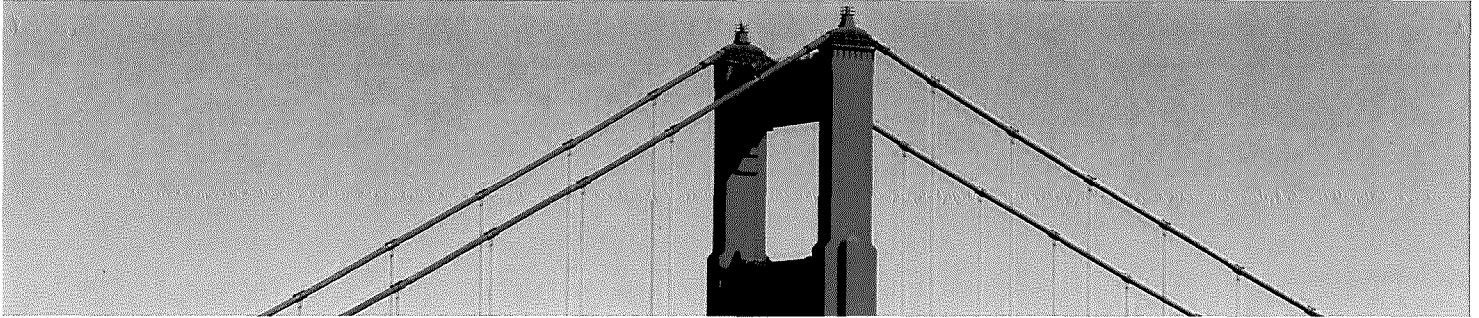
400,000 visitors per year

14 languages spoken by staff and volunteers

SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT





SanFrancisco.travel

5+ million visitors
\$300+ million in economic impact

Key Marketing Themes

Never the same. Always San Francisco.
Art & Culture
Food & Wine
Diversity
Sustainable Travel

Social Media

Facebook 62+ million impressions
Twitter 169,000+ followers
Instagram 100,000+ followers

**18 Million visitors to
San Francisco
\$10.7 billion visitor
spending**

Publications Produced

Visitor Planning Guide, Produced Bi-Annually

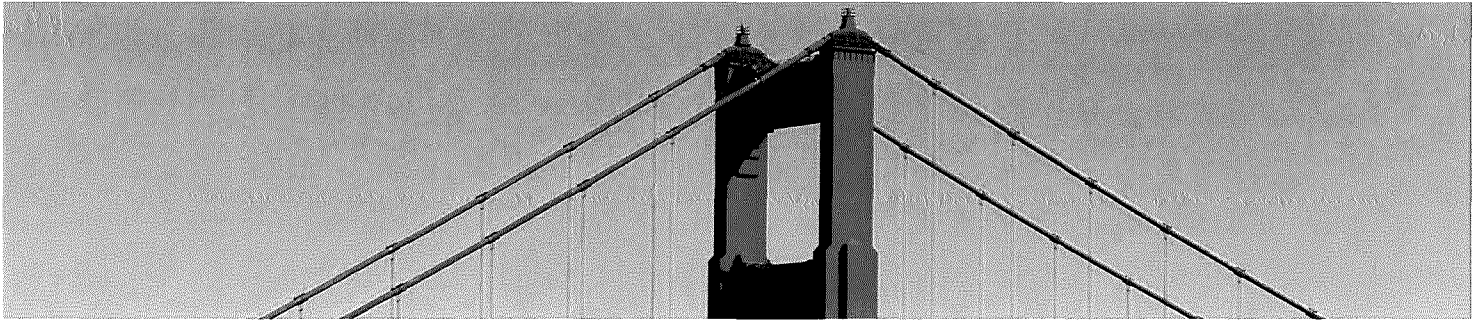
- The official leisure visitor fulfillment piece is distributed to 225,000 travelers annually.

Meeting Planners Guide, annual

- Reach 15,000 meeting and travel professionals who bring high - value travelers to San Francisco.
- Direct-mailed to an exclusive list of meeting professionals, travel agents and tour operators in the U.S. and Canada
- 14 overseas travel representative offices

Tourism Sales and Marketing

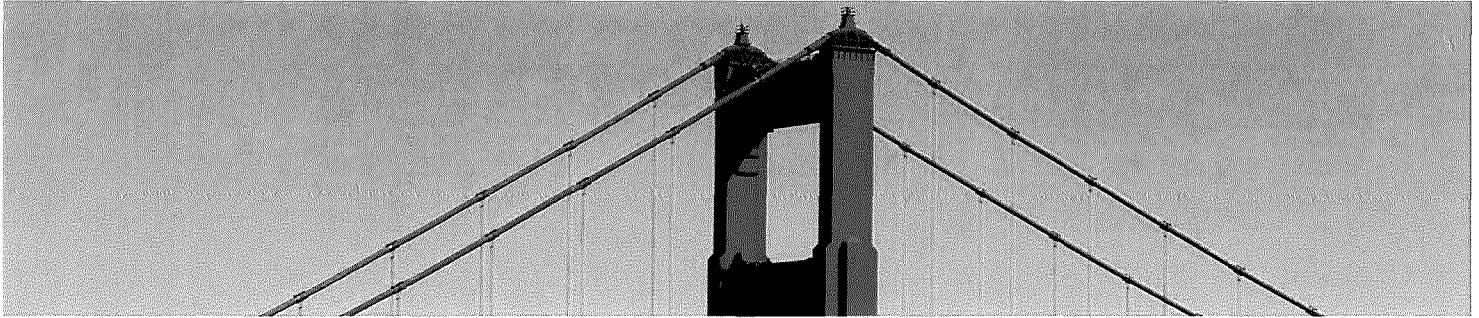
- 4+ million international visitors to San Francisco
- San Francisco Travel has 14 representation offices in 13 different countries that are responsible for direct contact with the travel trade and media promoting San Francisco.
- Partnered with SFO on new air service to Dublin, China and Abu Dhabi.
- San Francisco Travel hosted over 1,000 travel professionals in 2014-15
- San Francisco hosted 800+ journalists
- Media Coverage
 - 5 billion impressions
 - \$300+ million value



MOSCONE EXPANSION DISTRICT



- Construction began on the Moscone Expansion and Renovation project in November 2014. Phase 0, make ready work, was completed in April of 2015. Phase 1 construction started in April 2015.
- Ground Breaking Ceremony was on May 21, 2015
- Continued communications with Convention clients that are booked through the construction years. Goal is to have Moscone Center remain open and operational throughout the project.
- Over \$1.26 million was utilized to provide convention customers with rental incentives to attached conventions to San Francisco.
- A renovation project to install new air wall panels with door locks at Moscone West was completed.

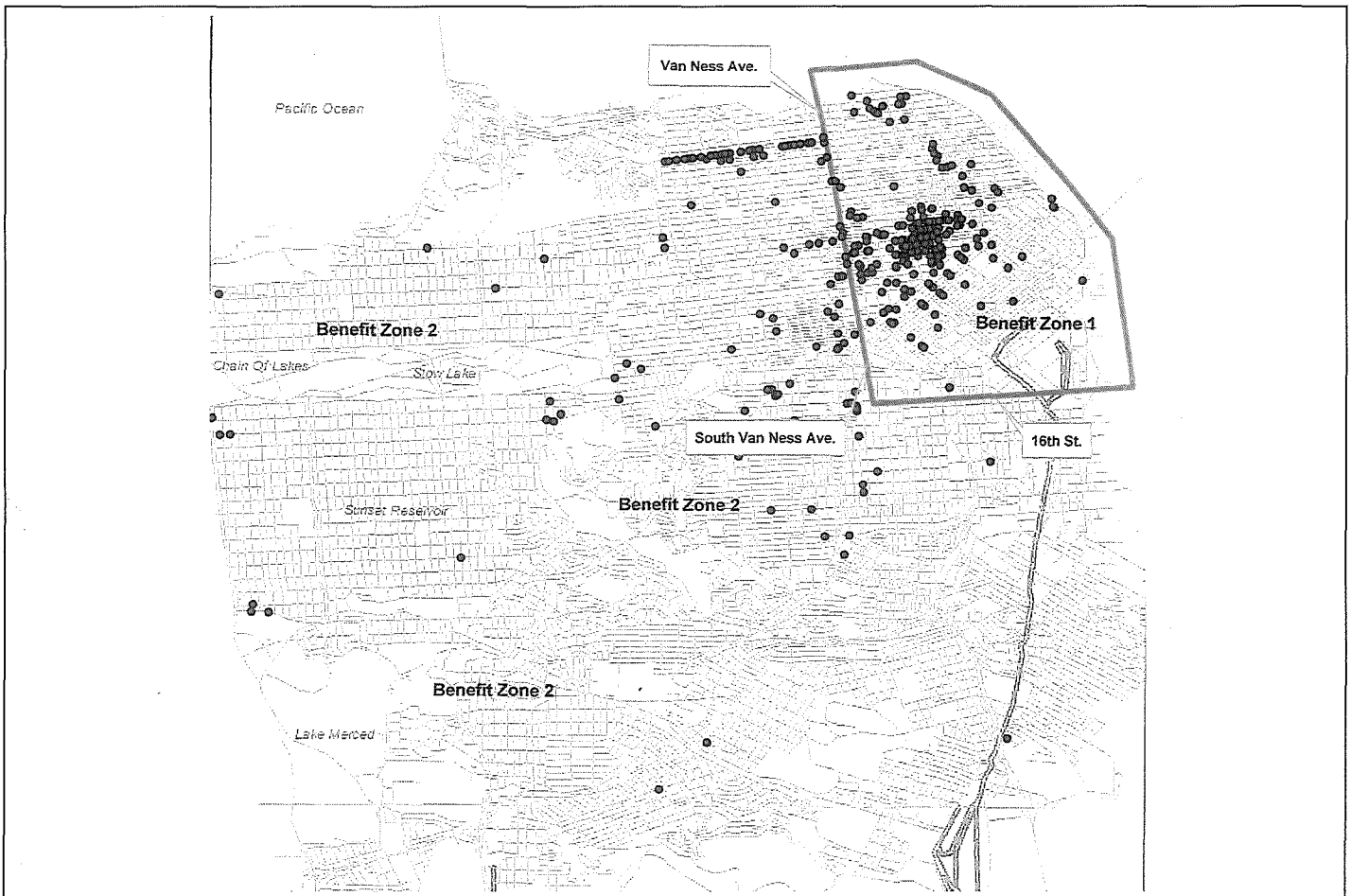


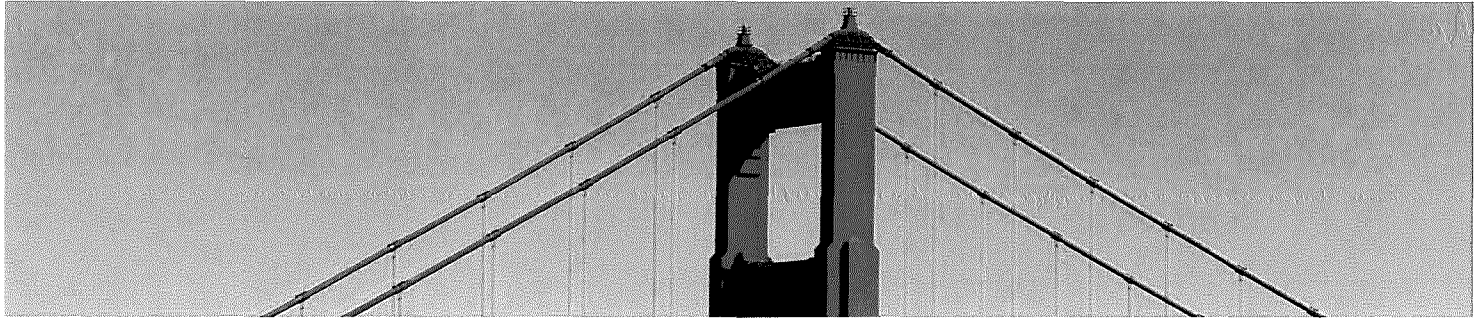
TID and MED COLLECTION METHODOLOGY

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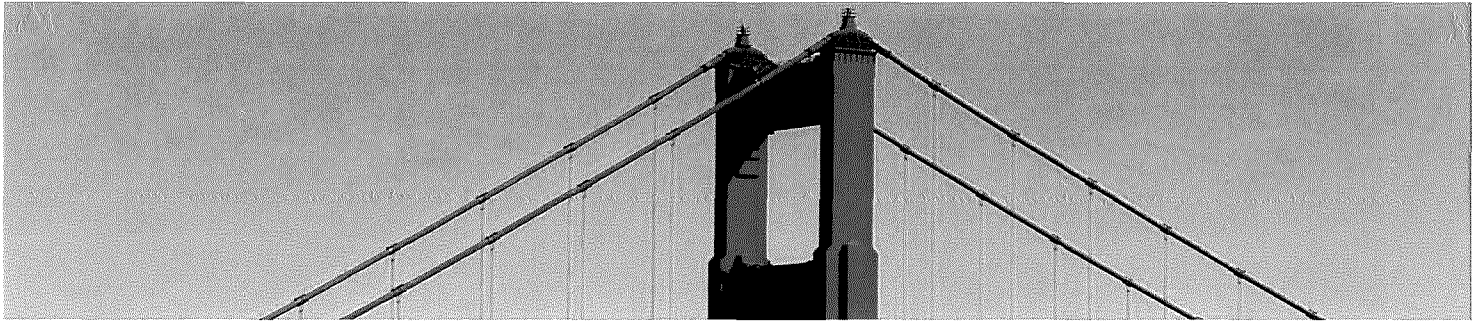
San Francisco Tourism Improvement District Management Corporation (SFTIDMC)

BUDGET & BALANCE SHEET

San Francisco Tourism Improvement District Management Corporation (SFTIDMC)
 Tourism Improvement District & Moscone Expansion District
 BUDGET + BALANCE SHEET

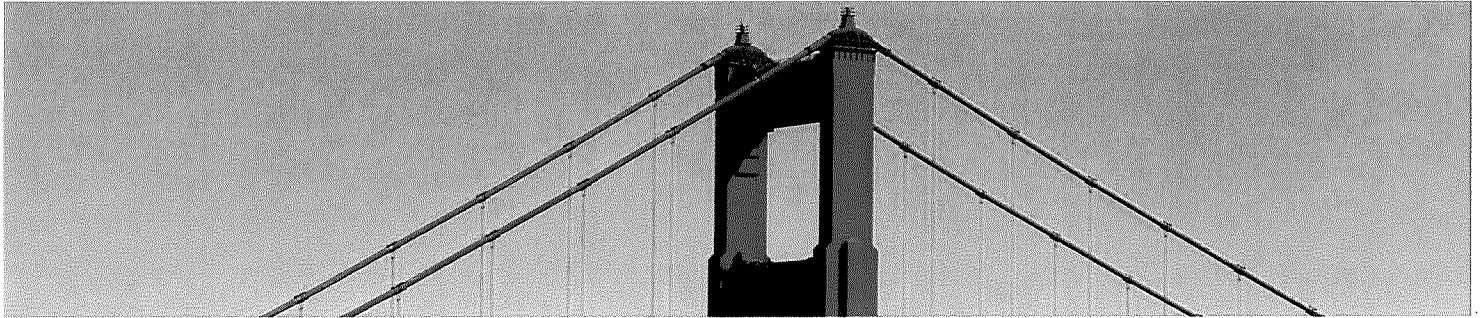
JULY 2014-JUNE 2015 ACTUAL	TID	MED	TOTAL
INCOME	ACTUAL	ACTUAL	ACTUAL
Assessment Fee	\$24,471,280	\$28,756,795	\$53,228,075
Interest Income	\$40,316	\$67,655	\$107,971
TOTAL INCOME	\$24,511,596	\$28,824,450	\$53,336,046
EXPENSES	ACTUAL	ACTUAL	ACTUAL
SFTA Marketing & Operations	\$21,815,239	\$0	\$21,815,239
Moscone Convention Center Development and Expansion	\$0	\$16,383,424	\$16,383,424
Moscone Convention Center Capital Fund	\$0	\$307,170	\$307,170
Moscone Convention Center Incentive Fund	\$0	\$1,350,000	\$1,350,000
SFTIDMC Administration and Operating Expenses	\$547,003	\$306,977	\$853,980
TOTAL EXPENSES	\$22,362,242	\$18,347,571	\$40,709,813

JULY 2014-JUNE 2015 BALANCE SHEET	TID	MED	TOTAL
ASSETS			
Cash	\$9,709,304	\$17,505,899	\$27,215,203
Accounts Receivable, Net	\$5,526,307	\$6,622,695	\$12,149,002
TOTAL ASSETS	\$15,235,611	\$24,128,594	\$39,364,205
LIABILITIES			
Accounts Payable	\$790	\$5,592,059	\$5,592,849
Accrued Liabilities	\$18,000	\$22,000	\$40,000
TOTAL LIABILITIES	\$18,790	\$5,614,059	\$5,632,849
TOTAL NET ASSETS (CARRYOVER)	\$15,216,821	\$18,514,535	\$33,731,356
TOTAL LIABILITIES & NET ASSETS	\$15,235,611	\$24,128,594	\$39,364,205



JULY 2015-JUNE 2016 BUDGET				TID	MED	TOTAL
INCOME		BUDGET	BUDGET	BUDGET		
Assessment Fee		\$25,042,000	\$29,322,000			\$54,364,000
Interest Income		\$0	\$0			\$0
TOTAL INCOME		\$25,042,000	\$29,322,000			\$54,364,000
EXPENSES		BUDGET	BUDGET	BUDGET		
SFTA Marketing & Operations		\$24,677,500	\$0			\$24,677,500
Moscone Convention Center Development & Expansion		\$0	\$25,266,500			\$25,266,500
Moscone Convention Center Capital Fund		\$0	\$289,000			\$289,000
Moscone Convention Center Incentive Fund		\$0	\$2,599,000			\$2,599,000
SFTIDMC Administration		\$364,500	\$445,500			\$810,000
Contingency/Reserve		\$0	\$722,000			\$722,000
TOTAL EXPENSES		\$25,042,000	\$29,322,000			\$54,364,000
NET INCOME		\$0	\$0			\$0

PROJECTED CARRYOVER DISBURSEMENT	TID	MED	TOTAL	TO BE USED IN FY 2015-2016	TO BE USED IN FUTURE YEARS
CARRYOVER					
SFTA Marketing & Operations	\$11,558,987	\$0	\$11,558,987	\$0	\$11,558,987
Moscone Convention Center Development and Expansion	\$0	\$15,153,895	\$15,153,895	\$0	\$15,153,895
Moscone Convention Center Capital Fund	\$2,334,361	\$138,207	\$2,472,568	\$0	\$2,472,568
Moscone Convention Center Incentive Fund	\$652,083	\$2,658,424	\$3,310,507	\$0	\$3,310,507
Contingency/Reserve	\$671,390	\$564,010	\$1,235,400	\$0	\$1,235,400
TOTAL CARRYOVER DISBURSEMENT	\$15,216,821	\$18,514,536	\$33,731,357	\$0	\$33,731,357



SFTID Board of Directors | FY 2014-15

BOARD CHAIR

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BOARD VICE-CHAIR

Ralph Lee, Hotel Whitcomb

SECRETARY/TREASURER

David von Winkler, Kimpton Hotels

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Rodrigo Enriquez, Extronomical Adventures

Karlene Holloman, Commune Hotels

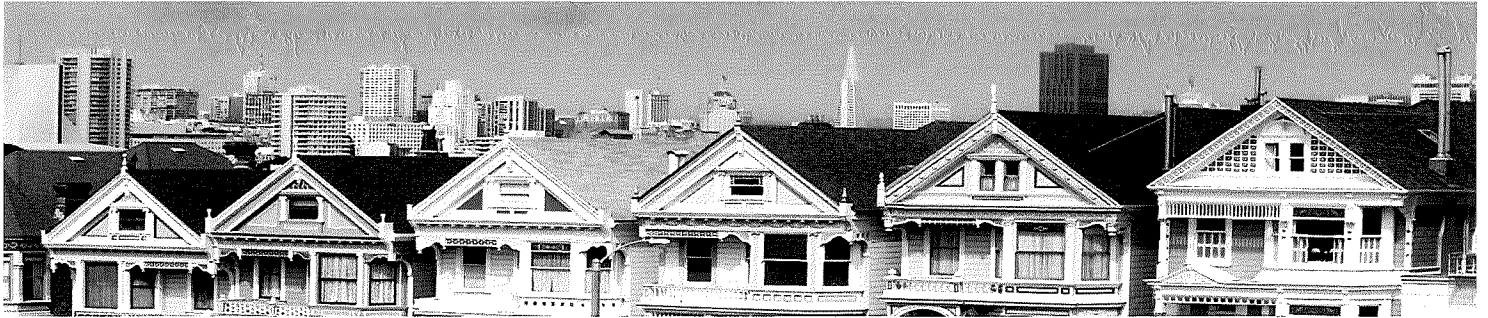
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John Noguchi, City and County of San Francisco

Chuck Pacioni, Marriott Marquis

Stephen Revetria, Giants Enterprises

Rick Swig, RSBA & Associates



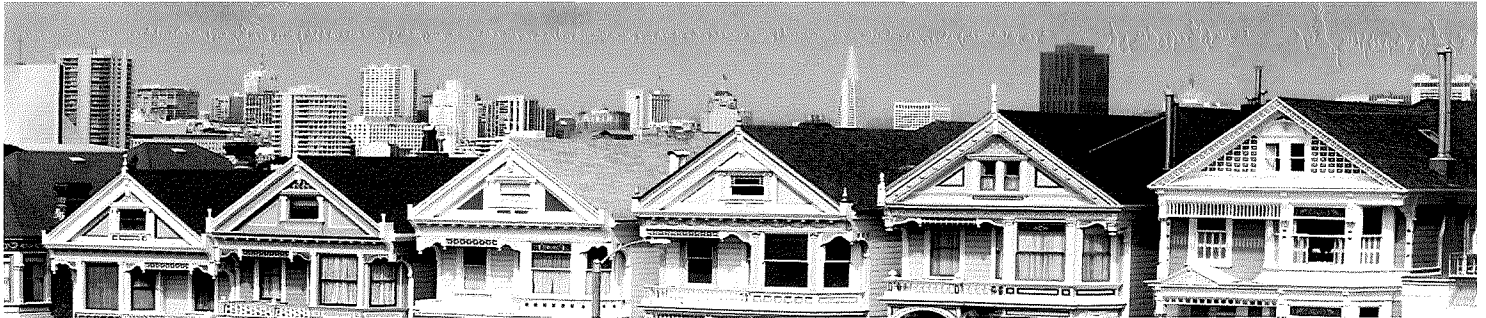
Annual Report | 2013-2014

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Highlights of **San Francisco Travel** activity during FY 2013-2014:

Convention and Meeting Sales

- **1,360 Meetings held In San Francisco**
- **\$1.3 billion in direct spending**
- **1.9+ million room nights booked**
- **Sales mission to Washington, DC and Chicago reaching over with over 110 meeting planners**
- **Attended over 50 trade shows and events including Meeting Professional International, Professional Convention Management Association, International PowWow**

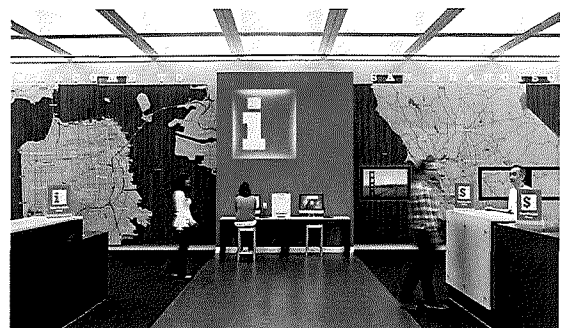
1.9 + million
Total room nights booked

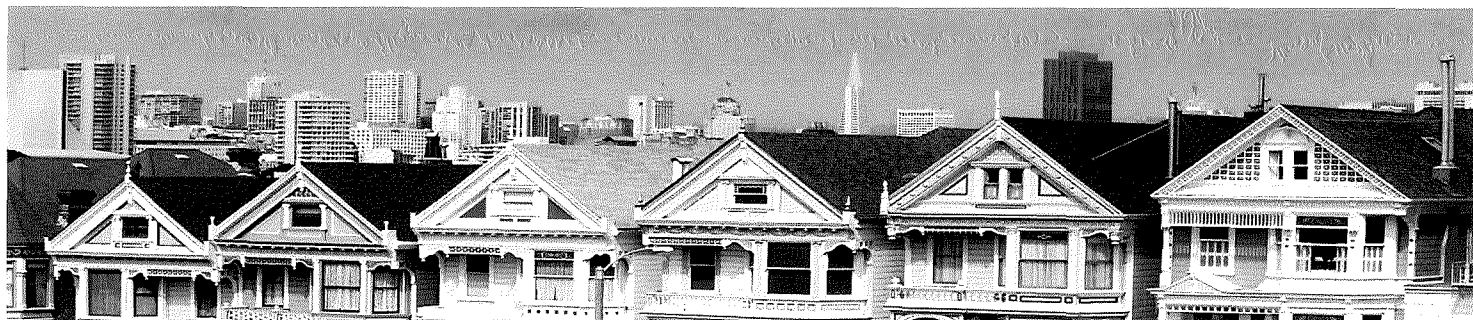
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Visitor Information Center (ViC)

300,000 visitors per year
18 languages spoken by staff and volunteers
During 2013-14 hotel Sales were up 35% and attraction sales up by 100%





SanFrancisco.travel

5+ million visitors
\$300+ million in economic impact

Never the same. Always San Francisco.

23+ million impressions
\$1.5 million in economic impact

Holiday Campaign

97.8 million impressions
\$472k+ in economic impact

Social Media

Facebook 560,000+ LIKES
Twitter 130,000+ followers
Instagram 30,000+ followers

**16.9 Million visitors to
San Francisco**

Publications Produced

Visitor Planning Guide, Produced Bi-Annually

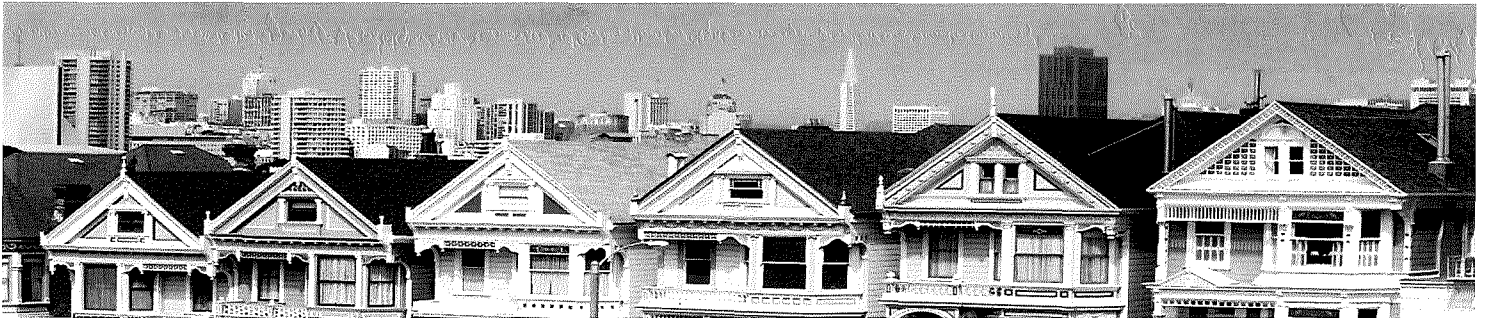
- The official leisure visitor fulfillment piece is distributed to 225,000 travelers annually.
- California Welcome Centers
- San Francisco International Airport
- Moscone Convention Center
- San Francisco Visitor Information Center

Meeting Planners Guide, annual

- Reach 15,000 meeting and travel professionals who bring high - value travelers to San Francisco.
- Direct-mailed to an exclusive list of meeting professionals, travel agents and tour operators in the U.S. and Canada
- 14 overseas travel representative offices
- U.S. and international sales missions

Tourism Sales and Marketing

- **4+ million international visitors to San Francisco**
- **Partnered with SFO on new air service**
- **San Francisco Travel hosted over 1,000 travel professionals in 2013-14**
- **Attended 15 International and Domestic trade shows**
- **San Francisco hosted 800+ journalists**
- **Media Coverage**
 - 4.5 billion impressions
 - \$300+ million value



MOSCONE EXPANSION DISTRICT

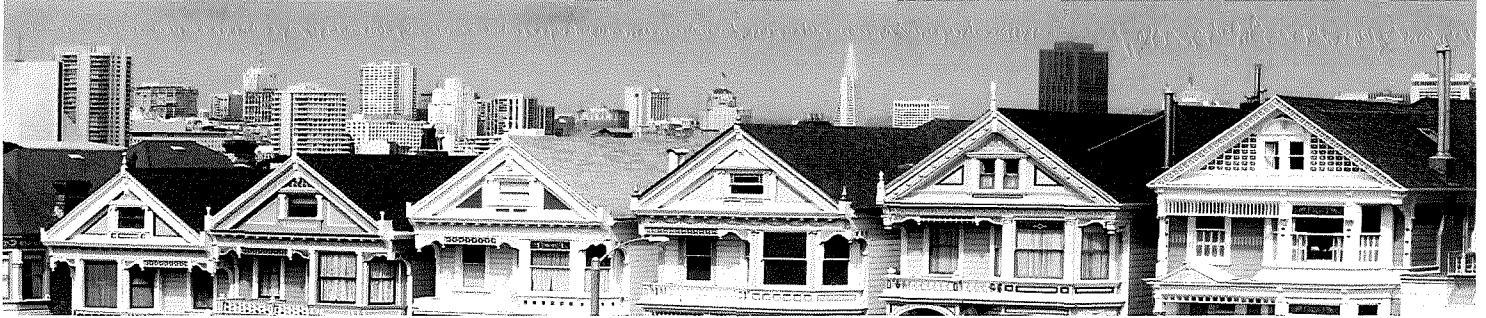


- The MED has funded the architectural design concept and design development of the Moscone Expansion and Renovation Project.

The MED has funded pre-construction efforts of the construction contractor, Webcor Builders. The service includes cost estimating, construction schedule, constructability review of design and bidding strategy.

- Oversaw a robust community outreach plan for the Moscone Expansion Project. Included dozens of community meetings.
- The Moscone Expansion Project's Draft Environment Impact Report was published.
- Civic Design Review Phase 1 was approved by the San Francisco Arts Commission



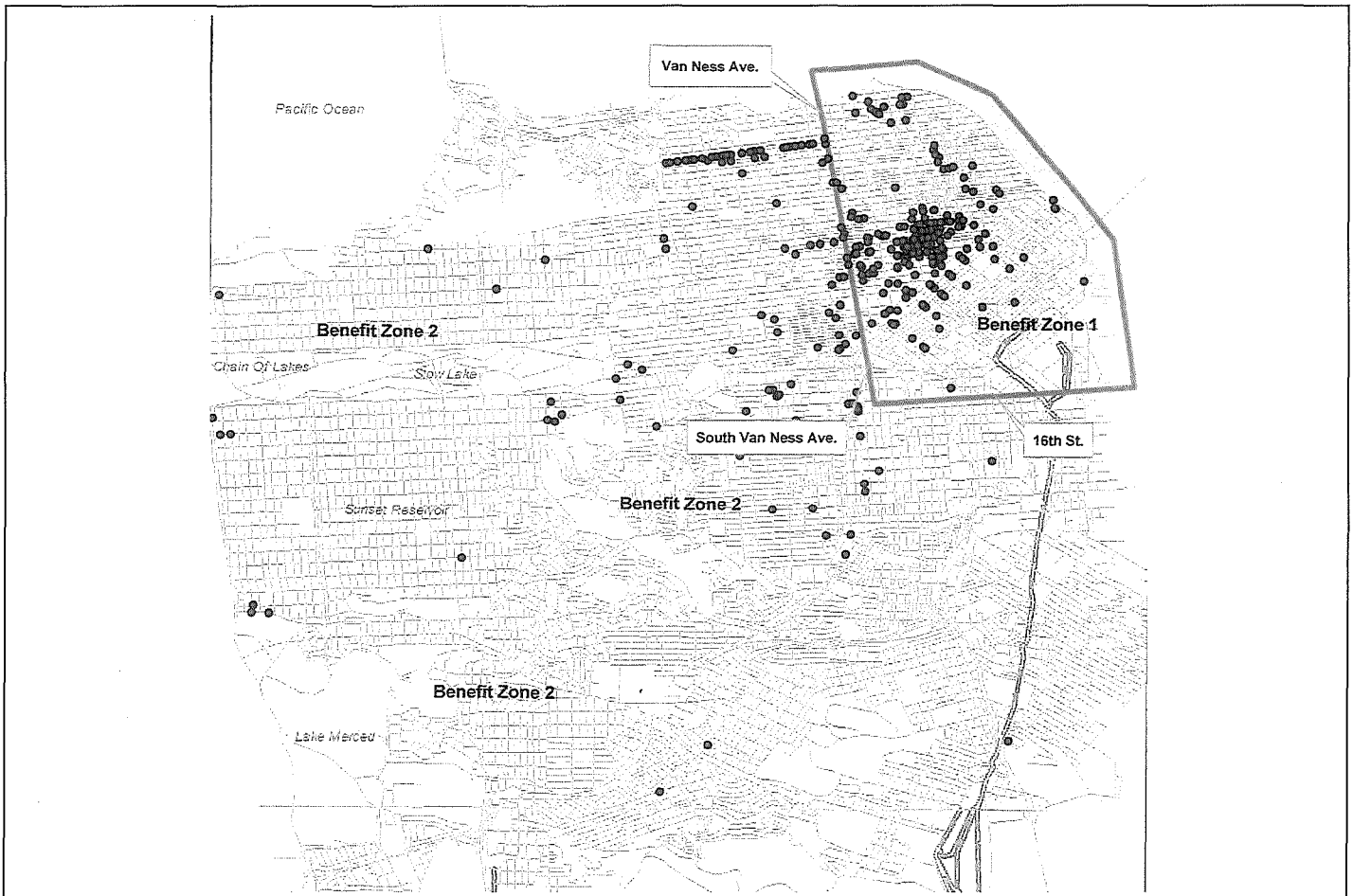


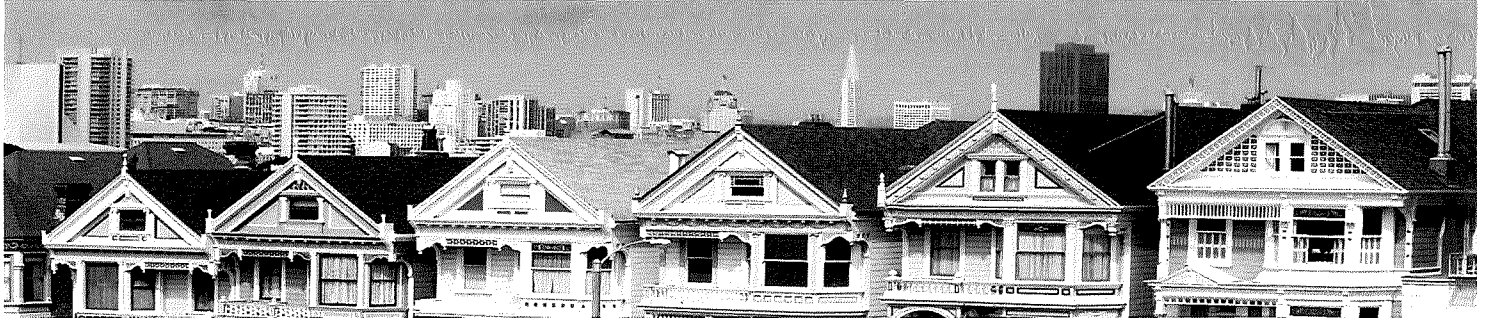
TID and MED COLLECTION METHOLOGY

Tourist hotels are broken up into two zones. The zones are the same for the TID and MED assessments. Tourist hotels in Zone 1 are assessed 1% of gross revenue from tourist rooms for the TID and 1.25% for the MED. Tourist hotels in Zone 2 are assessed 75% of gross revenue from tourist rooms for TID and .3125 for the MED.

Zone 1 Tourist hotels: All tourist hotels with addresses on or east of Van Ness Avenue, on or east of South Van Ness Avenue, and on or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay.

Zone 2 Tourist hotels: All tourist hotels with addresses west of Van Ness Avenue and South Van Ness Avenue, and all tourist hotels south of 16th Street.



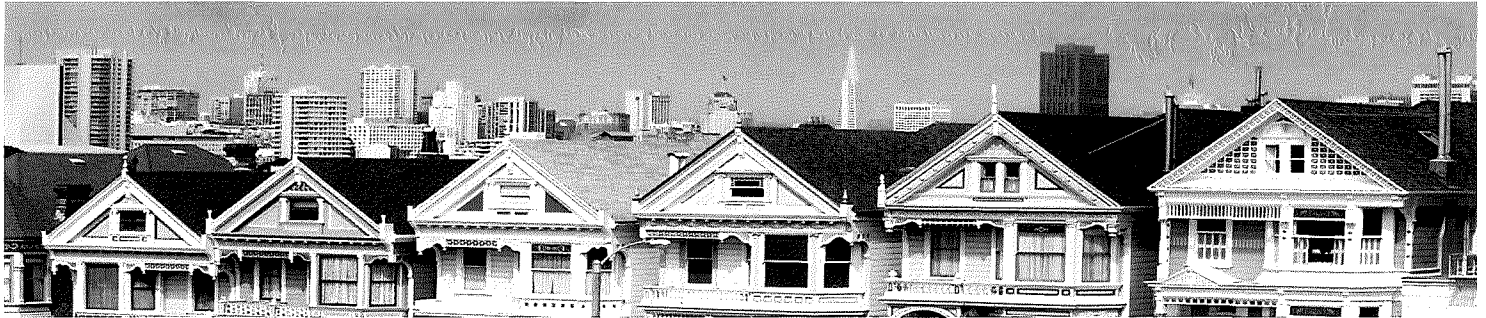


San Francisco Tourism Improvement District Management Corporation (SFTIDMC)

BUDGET & BALANCE SHEET

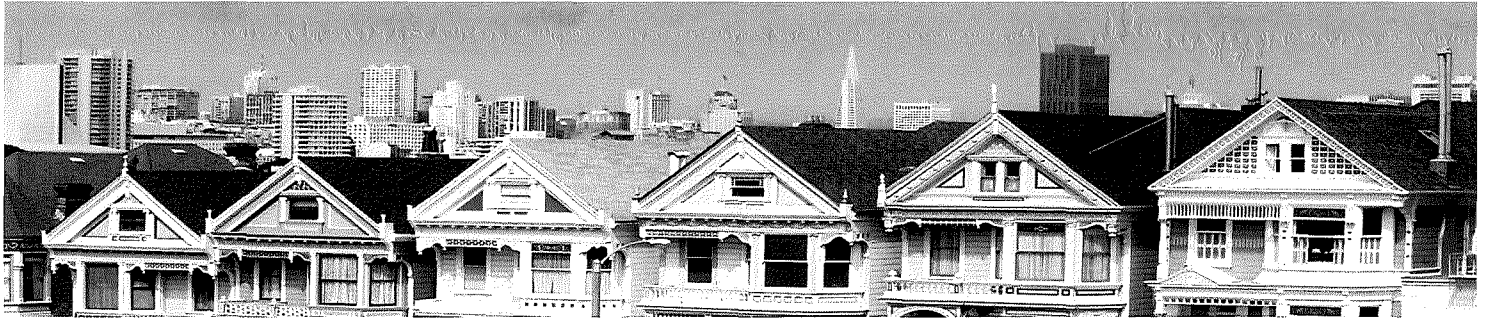
JULY 2013-JUNE 2014 ACTUAL	TID	MED	TOTAL
INCOME			
Assessment Fee	\$26,805,332	\$15,703,919	\$42,509,251
Interest Income	\$30,914	\$9,274	\$40,188
TOTAL INCOME	\$26,836,246	\$15,713,193	\$42,549,439
EXPENSES			
	ACTUAL	REVISED BUDGET	OVER/(UNDER) BUDGET
SFTA Marketing & Operations	\$18,500,000		\$18,500,000
Moscone Convention Center Development and Expansion	\$2,881,803	\$7,433,073	\$10,314,876
Moscone Convention Center Captial Fund	\$0	\$0	\$0
Moscone Convention Center Incentive Fund	\$1,068,781	\$0	\$1,068,781
SFTIDMC Administration and Operating Expenses	\$825,733	\$242,464	\$1,068,197
TOTAL EXPENSES	\$23,276,317	\$7,675,537	\$30,951,854

JULY 2013-JUNE 2014 BALANCE SHEET	TID	MED	TOTAL
ASSETS			
Cash	\$10,051,350	\$3,051,801	\$13,103,151
Accounts Receivable, Net	\$4,986,532	\$5,907,364	\$10,893,896
TOTAL ASSETS	\$15,037,882	\$8,959,165	\$23,997,047
LIABILITIES			
Accounts Payable	\$1,950,315	\$908,109	\$2,858,424
Accrued Liabilities	\$20,100	\$13,400	\$33,500
TOTAL LIABILITIES	\$1,970,415	\$921,509	\$2,891,924
TOTAL NET ASSETS (CARRYOVER)	\$13,067,467	\$8,037,656	\$21,105,123
TOTAL LIABILITIES & NET ASSETS	\$15,037,882	\$8,959,165	\$23,997,047



JULY 2014-JUNE 2015 BUDGET				TID	MED	TOTAL
INCOME	BUDGET	BUDGET	BUDGET			
Assessment Fee	\$19,100,000	\$23,170,000				\$42,270,000
Interest Income	\$0	\$0				\$0
TOTAL INCOME	\$19,100,000	\$23,170,000				\$42,270,000
EXPENSES	BUDGET	BUDGET	BUDGET			
SFTA Marketing & Operations	\$20,315,239	\$0				\$20,315,239
Moscone Convention Center Development and Expansion	\$0	\$19,985,000				\$19,985,000
Moscone Convention Center Captial Fund	\$0	\$228,400				\$228,400
Moscone Convention Center Incentive Fund	\$0	\$2,055,600				\$2,055,600
SFTIDMC Administration	\$270,000	\$330,000				\$600,000
Contingency/Reserve	\$0	\$571,000				\$571,000
TOTAL EXPENSES	\$20,585,239	\$23,170,000				\$43,755,239
NET INCOME	(\$1,485,239)	\$0				(\$1,485,239)

PROJECTED CARRYOVER DISBURSEMENT	TID	MED	TOTAL	TO BE USED IN FY 2014-2015	TO BE USED IN FUTURE YEARS
CARRYOVER	TOTAL	TOTAL			
SFTA Marketing & Operations	\$9,409,633	\$0	\$9,409,633	\$1,485,239	\$7,924,394
Moscone Convention Center Development and Expansion	\$0	\$6,315,925	\$6,315,925	\$0	\$6,315,925
Moscone Convention Center Captial Fund	\$2,334,361	\$157,132	\$2,491,493		\$2,491,493
Moscone Convention Center Incentive Fund	\$652,083	\$1,414,223	\$2,066,306		\$2,066,306
Contingency/Reserve	\$671,390	\$150,376	\$821,766	\$0	\$821,766
TOTAL CARRYOVER DISBURSEMENT	\$13,067,467	\$8,037,656	\$21,105,123	\$1,485,239	\$19,619,884



SFTID Board of Directors | FY 2013-14

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BOARD VICE-CHAIR

Linda Palermo, Commune Hotels

SECRETARY/TREASURER

John Cope, At- Large Director

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Marianne Costello, Scoma's Restaurant

Rodrigo Enriquez, Extronomical Adventures

Thomas Klein, Fairmont Hotels

Ralph Lee, Hotel Whitcomb

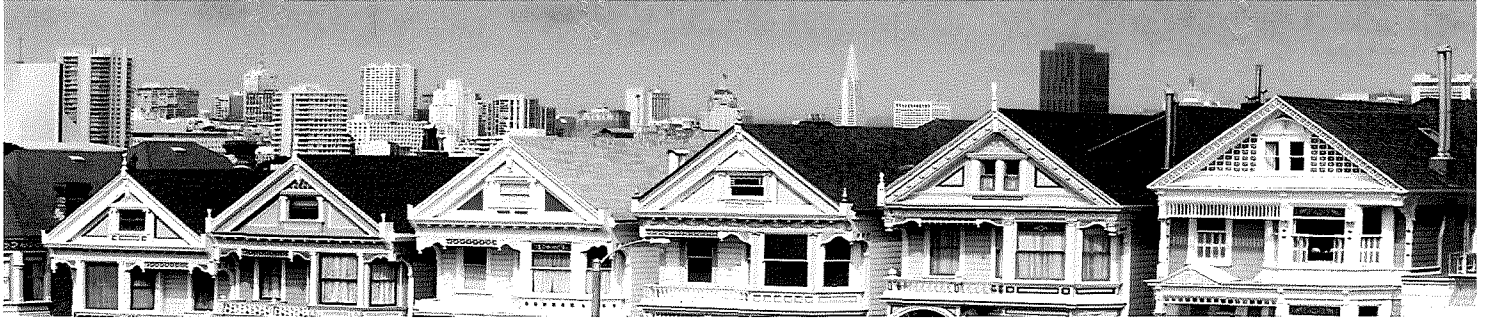
John Noguchi, City and County of San Francisco

Oscar Rodriguez, Marriott Union Square

Rick Swig, RSBA & Associates

David von Wionkler, Kimpton Hotels

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San Francisco, CA 94111
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www.sftid.com



Annual Report | 2012-2013

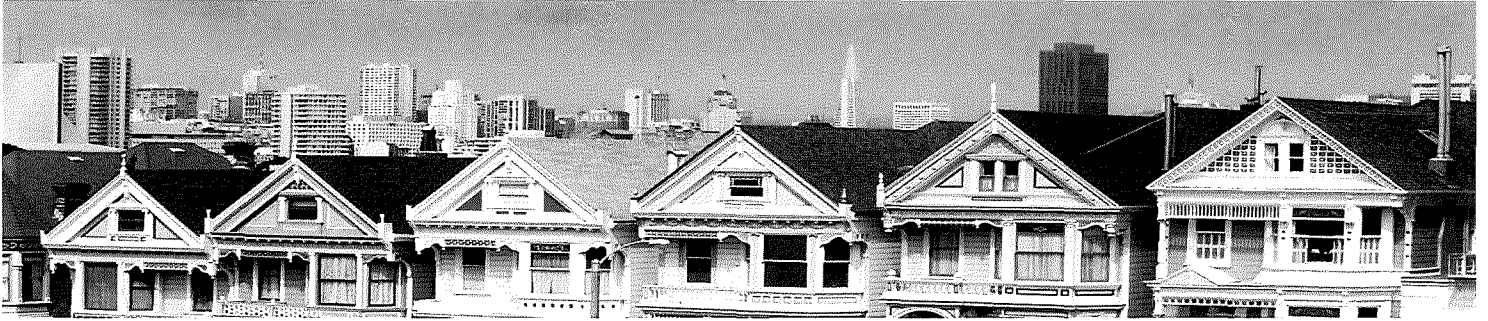
The San Francisco Tourism Improvement District Management Corporation (SFTIDMC) is the owners association group that over sees the San Francisco Tourism Improvement District

San Francisco Tourism Improvement District

The San Francisco Tourism Improvement District (TID) ensures that funding for the San Francisco Travel Association's selling, marketing and promotion of San Francisco as a visitor destination, and the renovation and potential expansion of Moscone Center, is maintained at competitive levels.

The San Francisco Tourism Improvement District Management Corporation, governed by a board of industry representatives, ensures that the funds are used to benefit the assessed businesses by allocating them to San Francisco Travel programs that draw conventions, meetings, events and leisure travelers to San Francisco, and by keeping the city's convention facilities competitive with those of other major cities.





The purpose of the sales and marketing program of work is to set industry standards and position San Francisco as the most compelling destination in the world. The San Francisco Tourism Improvement District Management Corporation (SFTIDMC) contracts the services of the San Francisco Travel Association which, with more than 100 years' of expertise, is well positioned to fulfill this goal.

With the benefit of the Tourism Improvement District (TID) funding, San Francisco Travel has been able to conduct a comprehensive review and strategic analysis of the industry, and has created a plan that focuses on being proactive and setting new, visionary strategies to lead San Francisco's tourism industry.

Highlights of **San Francisco Travel** activity during FY 2012-2013:

Convention and Meeting Sales

- **1,285 Meetings held In San Francisco**
- **\$1.2 billion in direct spending**
- **2+ million room nights booked**
- **Sales mission to Washington DC with over 100 meeting planners present**
- **Attended trade shows : Meeting Professional International, Professional Convention Management Association, International PowWow**

2 + million

Total room nights booked

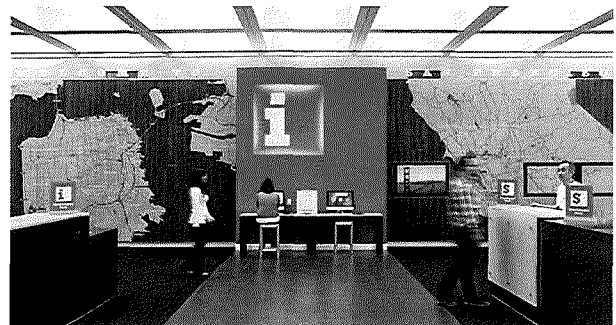
Marketing Promotion

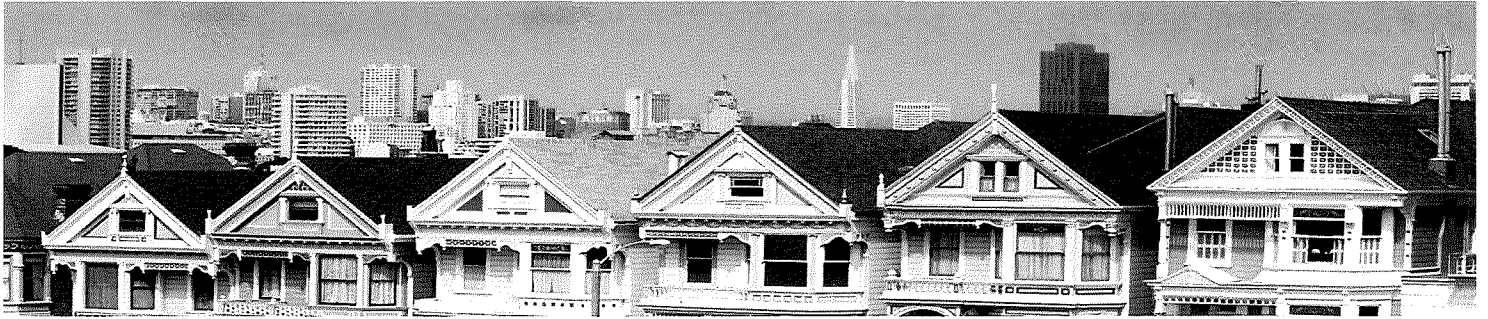
San Francisco's balanced mix of convention/ meetings travel, leisure/consumer travel and business travel means that the city isn't as vulnerable to swings in any one market as some other destinations. Although the industry has seen economic uncertainty impact discretionary leisure travel, business travel (the most lucrative segment) and corporate meetings (which can book – and cancel – inside very short timeframes), San Francisco is starting to see growth in all of these areas.

Leisure visitors comprise 75% of all trips to San Francisco. San Francisco Travel's leisure marketing team has the enviable task of building relationships with, inviting, converting and retaining potential and existing San Francisco leisure travelers.

Visitor Information Center (ViC)

425,000 visitors per year
18 languages spoken by staff and volunteer
Completed remodel in 2012



**49 Hours – Three Campaigns**

271,000 website visits

Generated 4.3 million in economic impact

SanFrancisco.travel

4.8 million visitors

\$80 million in economic impact

Social Media

Facebook, 536,000 LIKES

Twitter, over 108,000 followers

Instagram, over 30,000 followers

16.5
MILLION
people visited San Francisco

Publications Produced**Visitor Planning Guide, Produced Bi-Annually**

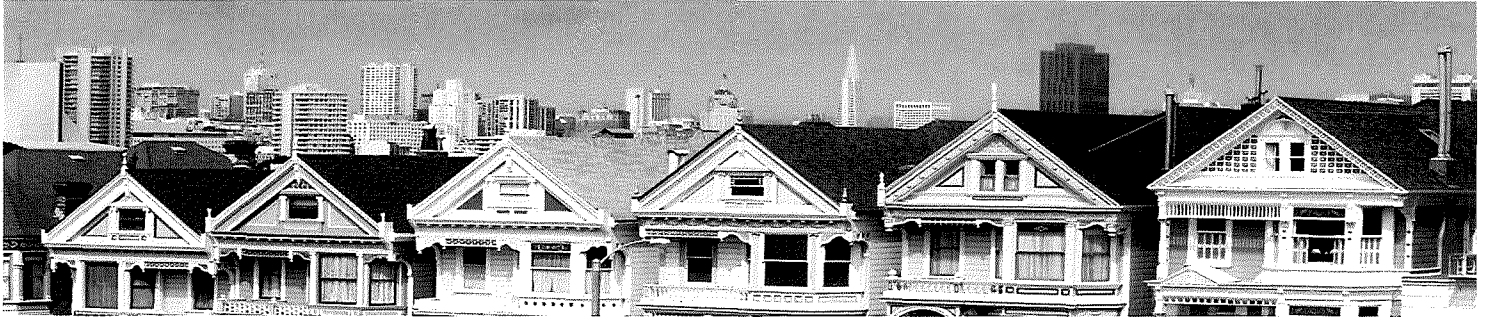
- The official leisure visitor fulfillment piece is distributed to 225,000 travelers annually.
- In-Market Distribution:
 - Bay Area Visitors Centers
 - California Welcome Centers
 - San Francisco International Airport
 - Moscone Convention Center
 - San Francisco Visitor Information Center

Meeting Planners Guide, annual

- Reach 15,000 meeting and travel professionals who bring high - value travelers to San Francisco.
- Distribution:
 - Direct-mailed to an exclusive list of meeting professionals, travel agents and tour operators in the U.S. and Canada
 - 14 overseas travel representative offices
 - U.S. and international sales missions

Tourism Sales and Marketing

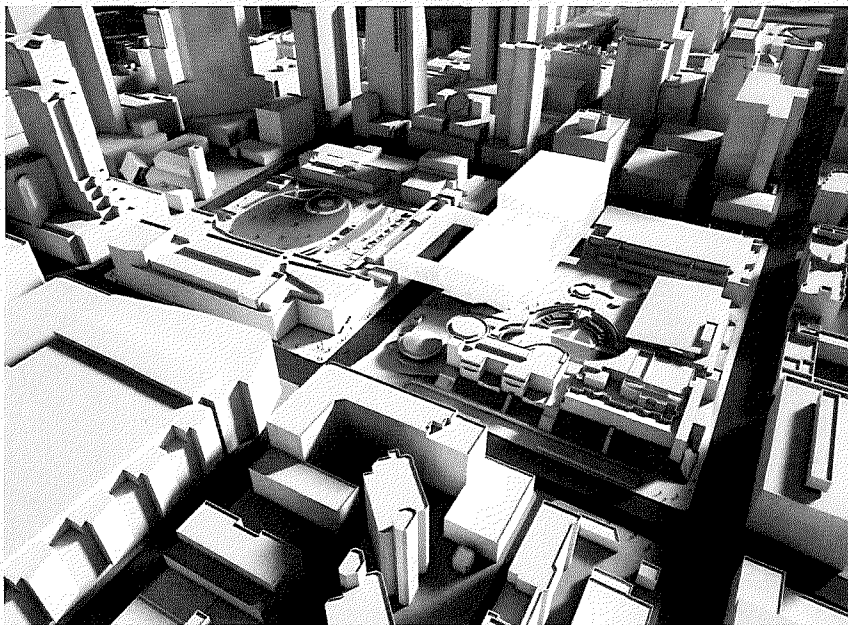
- **4+ million international visitors to San Francisco**
- **Partnered with SFO on new air service to/from Copenhagen, Shanghai and Paris**
- **San Francisco travel hosted over 1,000 journalists in 2012-2013**
- **Domestic Media Coverage**
 - 3.3 Billion impressions
 - \$17.7 million value
- **International Media Coverage**
 - 3.26 Billion Impressions
 - \$14.8 million value

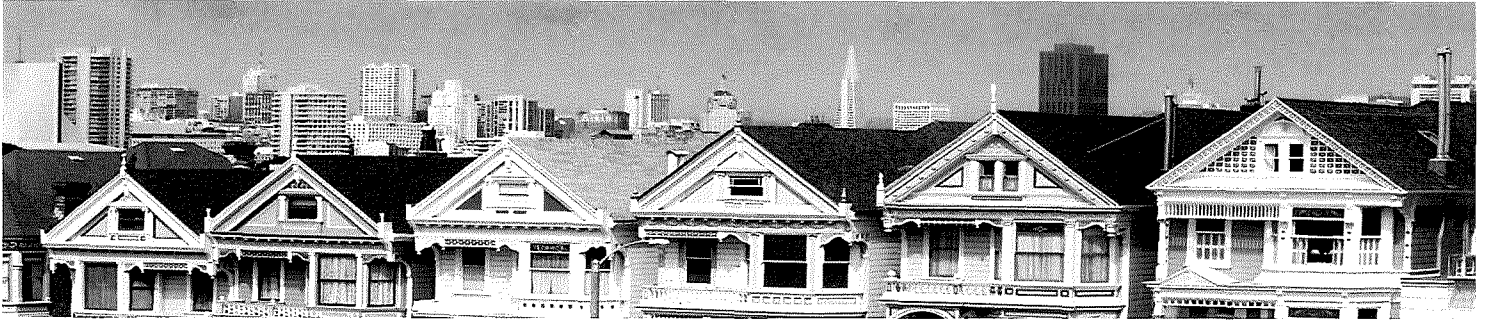


CONVENTION FACILITIES – MOSCONE CENTER

San Francisco is blessed with incredible demand, and as a result, our convention facilities typically operate at more than 70% of capacity, which is considered nearly full when factoring in move-in and move-out days and maintenance.

- After a successful completion of the \$56 million dollar Moscone Renovation in 2012, beginning stages for a Moscone Expansion started
- The SFTIDMC retained the architecture and engineering firm Skidmore, Owning and Merrill in June 2012 to begin the concept design of potential expansion.
- The SFTIDMC Project retained the general contracting firm Webcor Builders in January 2013 to begin pre-construction services.
- The SFTIDMC Project retained Barbary Coast Consulting in November 2012 to help develop and make a community outreach plan for the Moscone Expansion Project
- A concept design was completed in March of 2013 for the Moscone Expansion
- The Moscone Expansion District (MED) was formed by 96.4% approval from the industry and passed unanimously at the San Francisco Board of Supervisors. The MED will generate funds for the Moscone Expansion Project.





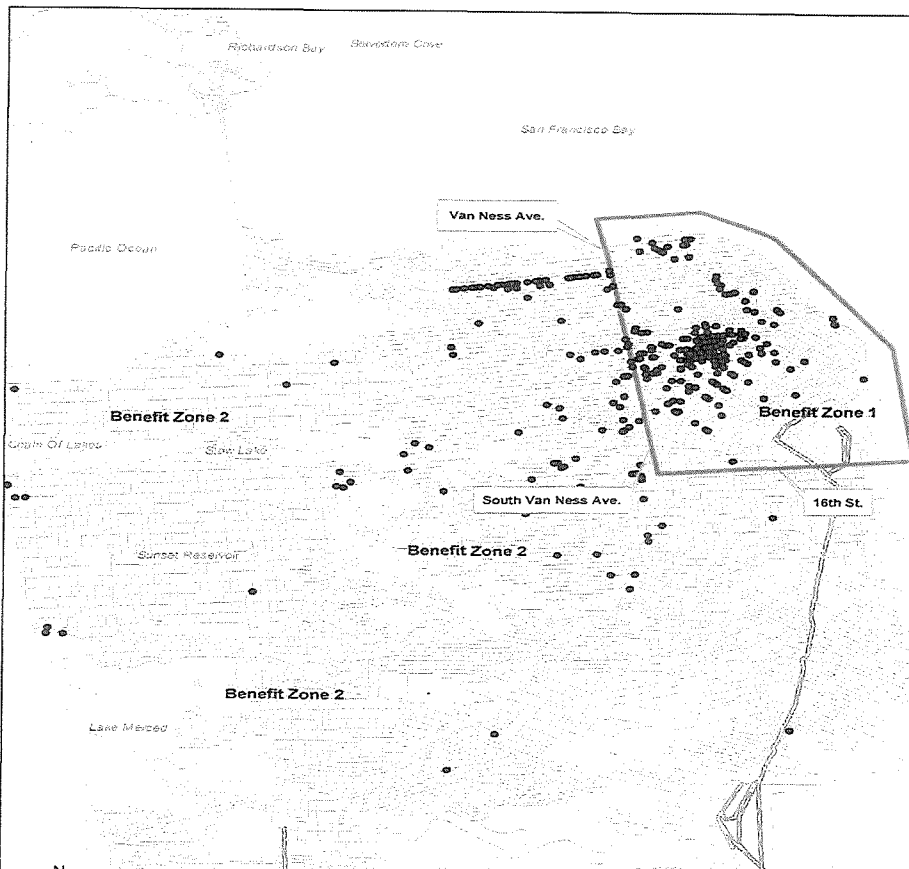
TID COLLECTION METHODOLOGY

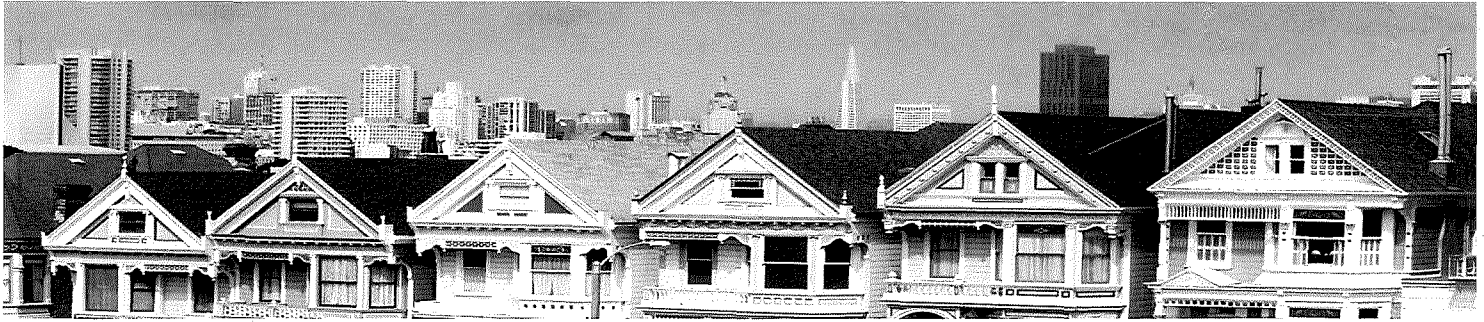
Tourist hotels are broken up into two Zones. Tourist hotels in Zone 1 are assessed 1.5% of gross revenue from tourist rooms for years 1 – 5, and 1% of gross revenue from tourist rooms for years 6 - 15. Tourist hotels in Zone 2 are assessed 1% of gross revenue from tourist rooms for years 1 - 5, and 0.75% of gross revenue from tourist rooms for years 6 - 15.

Zone 1 Tourist hotels: All tourist hotels with addresses on or east of Van Ness Avenue, on or east of South Van Ness Avenue, and on or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay.

Zone 2 Tourist hotels: All tourist hotels with addresses west of Van Ness Avenue and South Van Ness Avenue, and all tourist hotels south of 16th Street.

San Francisco Tourism Improvement District





San Francisco Tourism Improvement District Management Corporation (SFTIDMC)

BUDGET & BALANCE SHEET

JULY 2012-JUNE 2013 ACTUAL

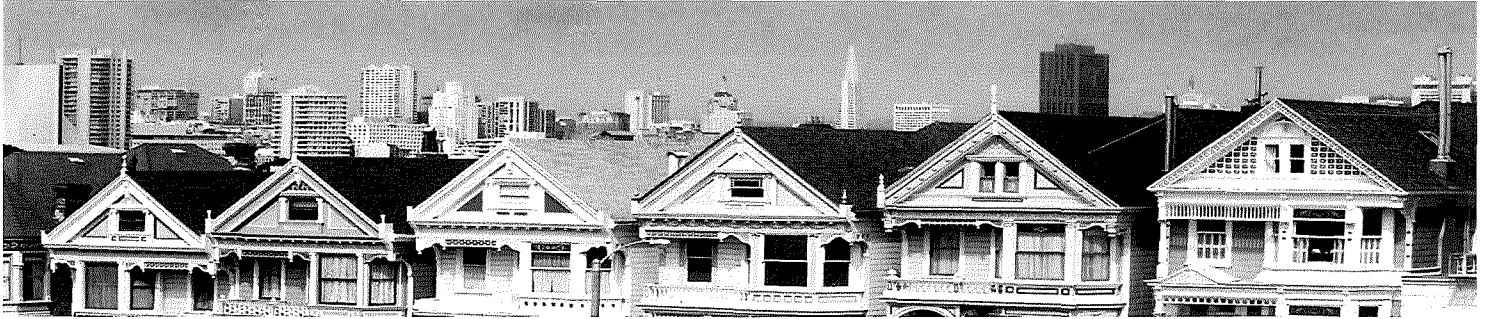
INCOME	ACTUAL	REVISED BUDGET	OVER/(UNDER) BUDGET
Assessment Fee	\$26,909,406	\$25,700,000	\$1,209,406
Interest Income	\$32,008	\$20,000	\$12,008
TOTAL INCOME	\$26,941,414	\$25,720,000	\$1,221,414
EXPENSES	ACTUAL	REVISED BUDGET	OVER/(UNDER) BUDGET
SFTA Marketing & Operations	\$17,089,102	\$17,089,102	\$0
Moscone Convention Center Services and Improvements	\$7,540,343	\$8,335,000	(\$794,657)
SFTIDMC Administration	\$567,425	\$500,000	\$67,425
TOTAL EXPENSES	\$25,196,870	\$25,924,102	(\$727,232)
NET INCOME	\$1,744,544	(\$204,102)	\$1,948,646

JULY 2012-JUNE 2013 BALANCE SHEET

ASSETS	
Cash	\$4,646,898
Accounts Receivable, Net	\$6,456,545
TOTAL ASSETS	\$11,103,443
LIABILITIES	
Accounts Payable	\$1,567,905
Accrued Liabilities	\$28,000
TOTAL LIABILITIES	\$1,595,905
TOTAL NET ASSETS (CARRYOVER)	\$9,507,538
TOTAL LIABILITIES & NET ASSETS	\$11,103,443

SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT



JULY 2013-JUNE 2014 BUDGET

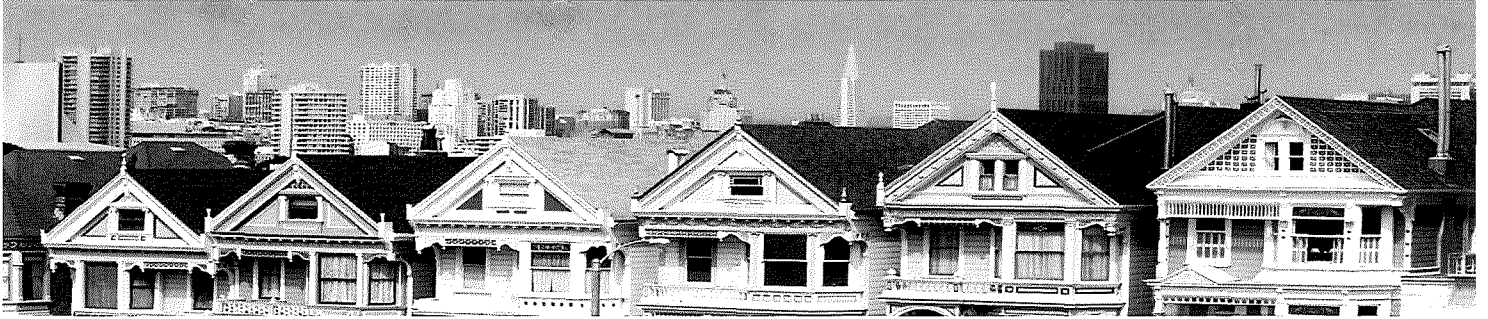
INCOME	BUDGET
TID Assessment Fee	\$22,818,000
Interest Income	\$0
TOTAL INCOME	\$22,818,000

EXPENSES	BUDGET
SFTA Marketing & Operations	\$17,700,000
Moscone Convention Center Services and Improvements	\$4,731,000
SFTIDMC Administration	\$387,000
TOTAL EXPENSES	\$22,818,000

NET INCOME	\$0
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PROJECTED CARRYOVER DISBURSEMENT

CARRYOVER	TOTAL	TO BE USED IN FY 2013-2014	TO BE USED IN FUTURE YEARS
SFTA Marketing & Operations	\$7,624,545	\$0	\$7,624,545
Moscone Convention Center Services and Improvements	\$1,211,603	\$0	\$1,211,603
Contingency/Reserve	\$671,390	\$0	\$671,390
TOTAL CARRYOVER DISBURSEMENT	\$9,507,538	\$0	\$9,507,538



SFTID Board of Directors | FY 2012-2013

BOARD CHAIR

Toni Knorr, St Regis Hotel

BOARD VICE-CHAIR

Linda Palermo, Commune Hotels

SECRETARY/TREASURER

John Cope, At- Large Director

Board Members

Michael Dunne, Hilton San Francisco

Rodrigo Enriquez, Extronomical Adventures

Jon Kimball, Westin St. Francis

Jan Misch, Tuscan Inn

David Nadelman, Grand Hyatt

John Noguchi, City and County of San Francisco

Oscar Rodriguez, Marriott Union Square

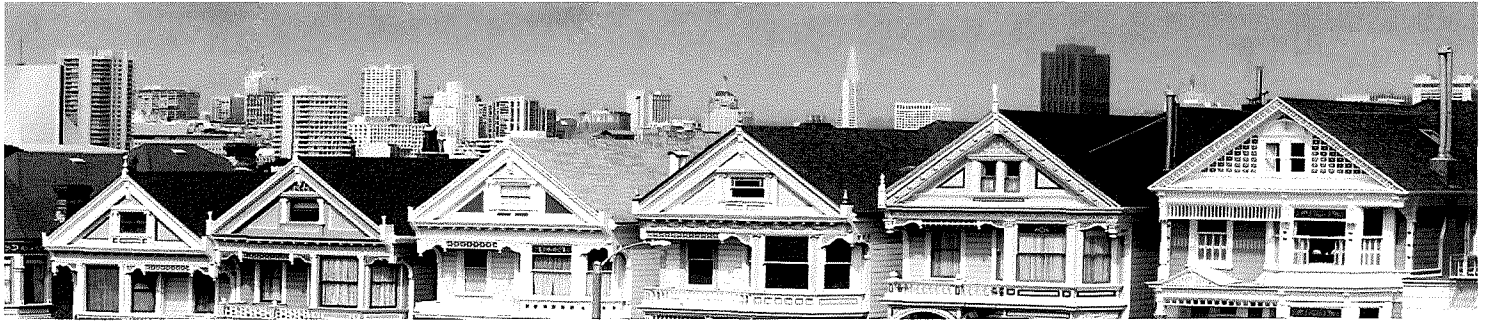
Rick Swig, RSBA & Associates

SFTIDSAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT

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415.227.2605
info@sftid.com
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SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT



Annual Report | 2011-2012

Tourism is San Francisco's largest industry, generating nearly \$8 billion in direct spending, benefitting San Francisco's residents and businesses.

The mission of the San Francisco Tourism Improvement District (SFTID) is to ensure that funding for the San Francisco Travel Association sales, marketing and promotional efforts on behalf of San Francisco as a visitor destination, and the renovation and expansion of Moscone Center, is maintained at an aggressive and competitive level. As the organization tasked with nurturing the health and vitality of San Francisco's largest industry, tourism, the San Francisco Travel Association has never been more prepared and in a better position than they are in today.

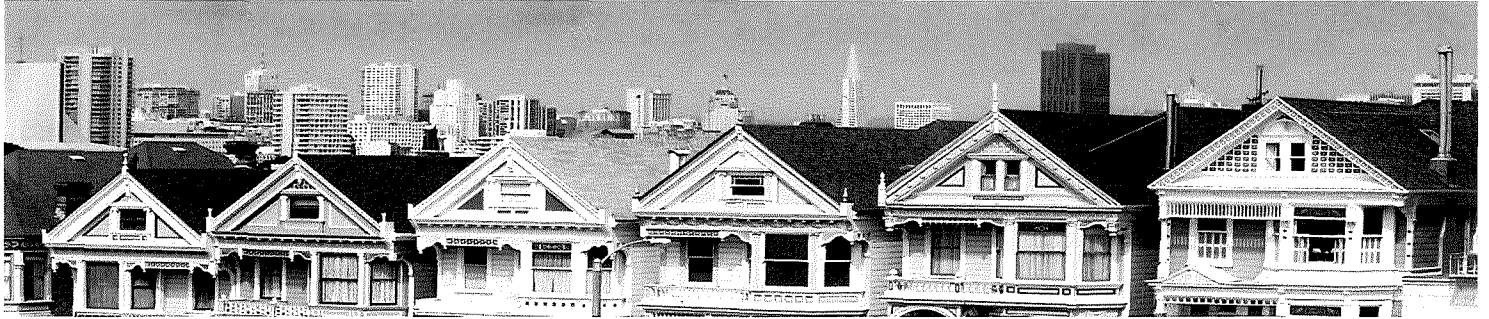
This report reviews achievements of the past year and documents the TID's activities.

With the continued support of the hotels that care deeply about the success of this industry, the TID looks forward to another year of continued success.

Sincerely,

Dan Kelleher, SFTID Board Chair





The purpose of the sales and marketing program of work is to set industry standards and position San Francisco as the most compelling destination in the world. The TID contracts the services of the San Francisco Travel Association, which, with more than 100 years' of expertise, is well positioned to fulfill this goal.

With the benefit of TID funding, the San Francisco Travel Association has been able to conduct a comprehensive review and strategic analysis of the industry, and has created a plan that focuses on being proactive and setting new, visionary strategies to lead San Francisco's tourism industry.

Highlights of the San Francisco Travel Association activity during FY 2011-2012:

**New Tourism
Leads = 759**

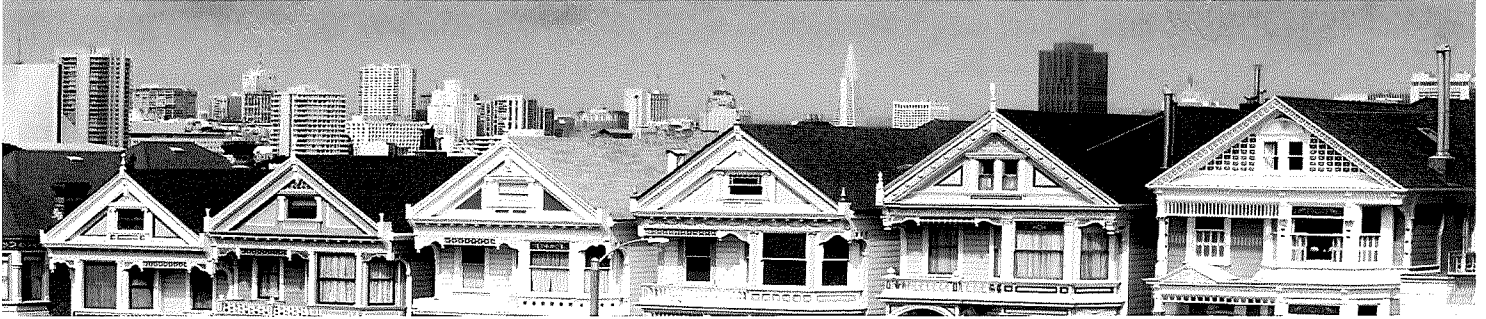
Tourism Sales and Marketing

- San Francisco Travel's tourism staff brought nearly 1,000 travel industry professionals to San Francisco for familiarization ("fam") tours, providing educational and familiarization visits to the area.
- Staff generated 759 new tourism leads for partners and 91 new programs.
- San Francisco Travel hosted the first dedicated sales mission to Canada. They also hosted trade shows and promotional events in the U.S., Canada, Asia, Europe and Australia.

Convention and Meeting Sales

- Conventions generated 1,150 meetings with \$1.1 billion in direct spending.
- San Francisco Travel's convention division generated sales leads for future meetings with a potential of 5,814,597 hotel room nights.
- San Francisco Travel hosted client events and sales missions in Chicago, DC and for the Giants baseball opening day.

**\$1.1 billion in
direct spending**

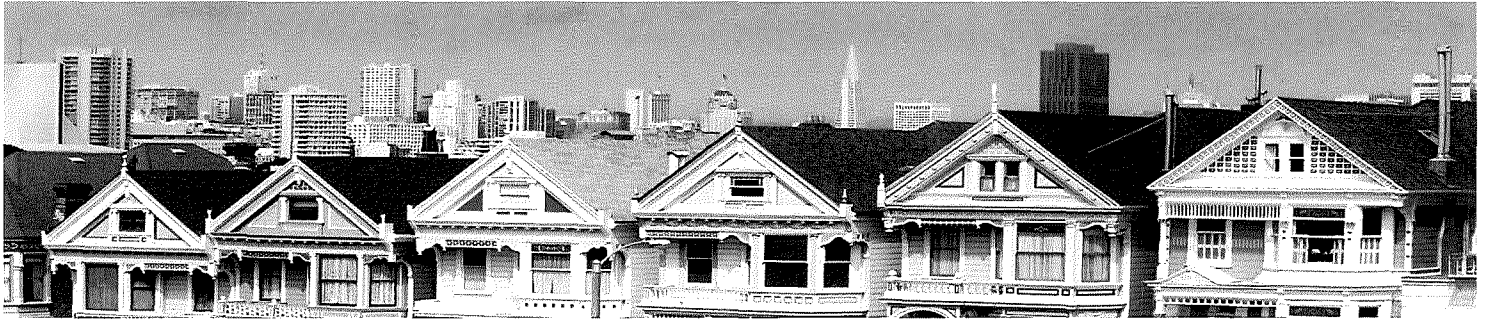


Marketing

- San Francisco Travel's new website, www.sanfrancisco.travel hosted over 3 million unique visitors, with an economic impact of \$47 million. The website continues to be the primary source of current information for consumers and members. In addition, San Francisco Travel's social media program has been successful, with over 460,000 facebook likes and 83,000 twitter followers. 2,000 instagram images were generated during the 49 Hours of San Francisco Spring campaign.
- San Francisco Travel operates a Visitor Information Center in Hallidie Plaza in downtown San Francisco that is open 336 days a year (closed Sundays from Nov - May). In 2011-2012, planning and construction was completed on a comprehensive renovation of the Center to better facilitate visitor interactions.
- Ongoing marketing programs included: 49 Hours Campaign, Dine about Town in January and June
- San Francisco Travel's media relations staff assisted over 1,400 journalists and travel writers with information to use in newspapers, magazines and television shows featuring San Francisco as a travel destination. This generated 1 million media impressions with \$8 million in publicity value.
- San Francisco Travel established a new strategic marketing/publishing partnership with Miles Media. San Francisco Travel published *The San Francisco Book*, an approx. 118-page travel guide and a 142-page *Visitors Planning Guide* for distribution to the public. In addition, a 200-page *Meeting & Event Planner's Guide* and a 120-page *Professional Travel Planner's Guide* are also published for free distribution to the trade world-wide.

**3 million unique
visitors to
Sanfrancisco.travel**

**1 million media
impressions**



MOSCOONE RENOVATION & EXPANSION

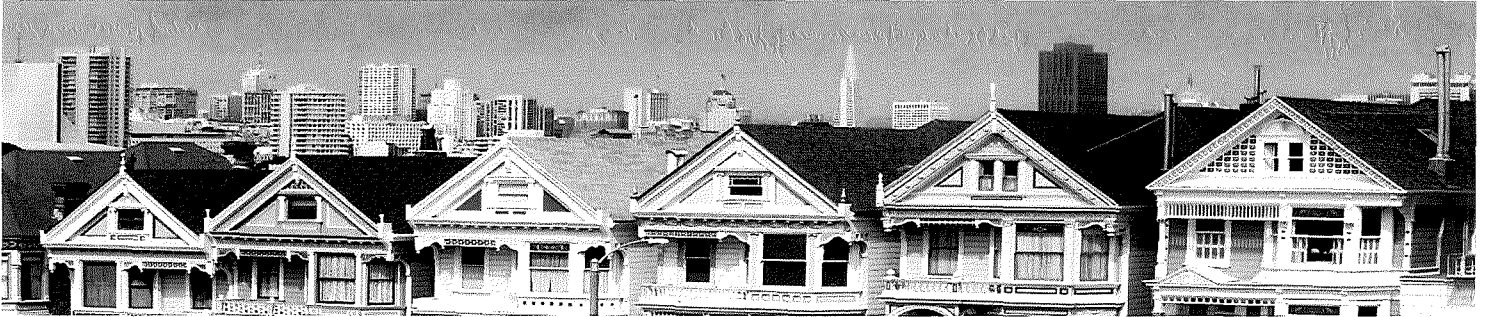
The TID began work on the renovation of the Moscone Center in August of 2010. In FY 2011-2012 the project did the bulk of construction. The TID, working closely with the project team (City & County of San Francisco Department of Public Works, Jones Lange LaSalle Americas, Inc., Webcor Builders and HOK Architects) reviewed scope and design to move forward with renovation that identified and prioritized the upgrades needed.

The construction work finished in May 2012, on time, under budget and without disruption to convention clients. The upgrade and renovation work ranged from basic aesthetic improvements to significant infrastructure projects, including:

- New carpet, paint, lighting and ceilings, upgraded lobbies, upgraded kitchen
- Restroom renovations with new fixtures, tile, paint and partitions
- Digital displays and telecom/data cabling upgrades
- Most robust convention center WiFi system in the country
- Elevator and escalator improvements
- Variable-speed control and other HVAC upgrades
- Pursuing LEED Gold Certification



The Moscone Expansion Project retained the architecture and engineering firm Skidmore, Owning and Merrill in June 2012 to begin the concept design of potential expansion.

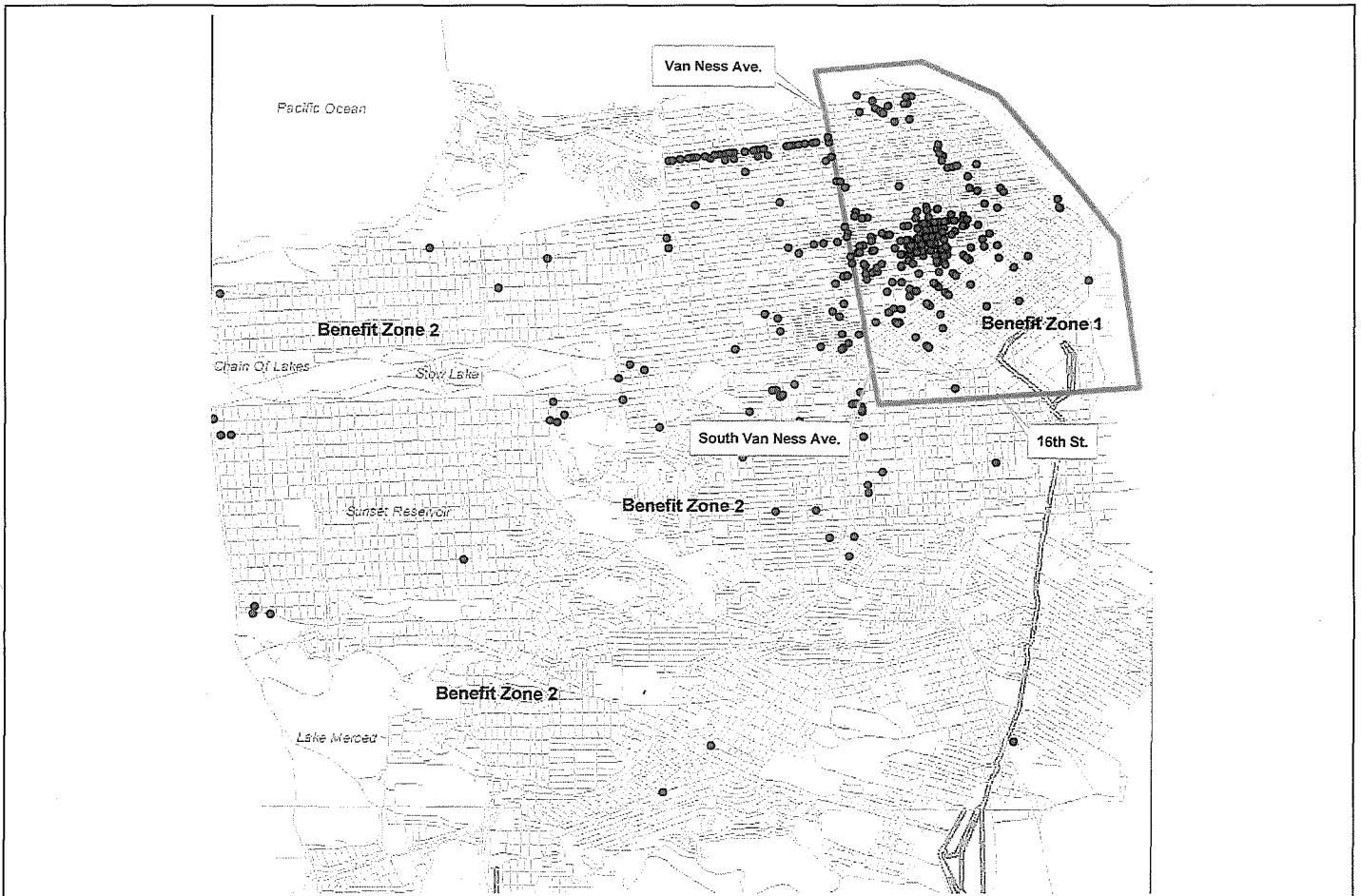


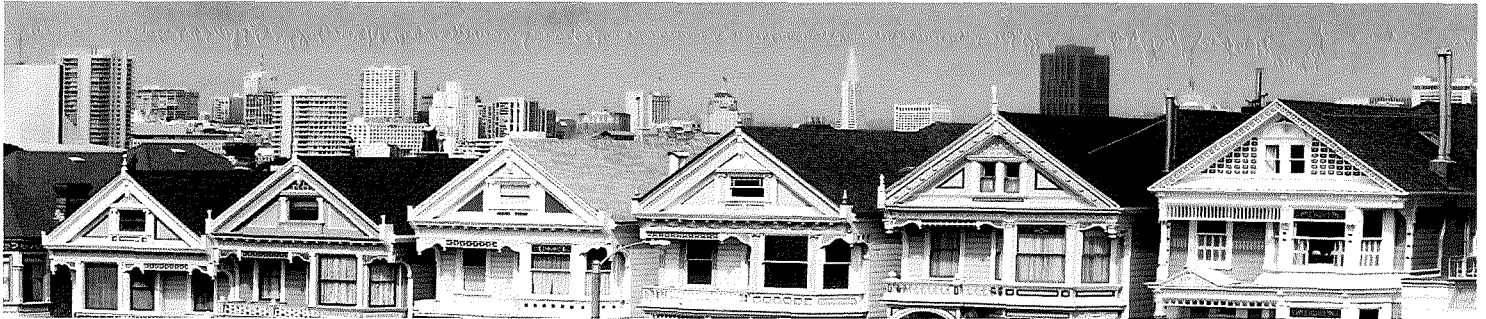
TID COLLECTION METHODOLOGY

Tourist hotels are broken up into two Zones. Tourist hotels in Zone 1 are assessed 1.5% of gross revenue from tourist rooms for years 1 – 5, and 1% of gross revenue from tourist rooms for years 6 - 15. Tourist hotels in Zone 2 are assessed 1% of gross revenue from tourist rooms for years 1 - 5, and 0.75% of gross revenue from tourist rooms for years 6 - 15.

Zone 1 Tourist hotels: All tourist hotels with addresses on or east of Van Ness Avenue, on or east of South Van Ness Avenue, and on or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay.

Zone 2 Tourist hotels: All tourist hotels with addresses west of Van Ness Avenue and South Van Ness Avenue, and all tourist hotels south of 16th Street.



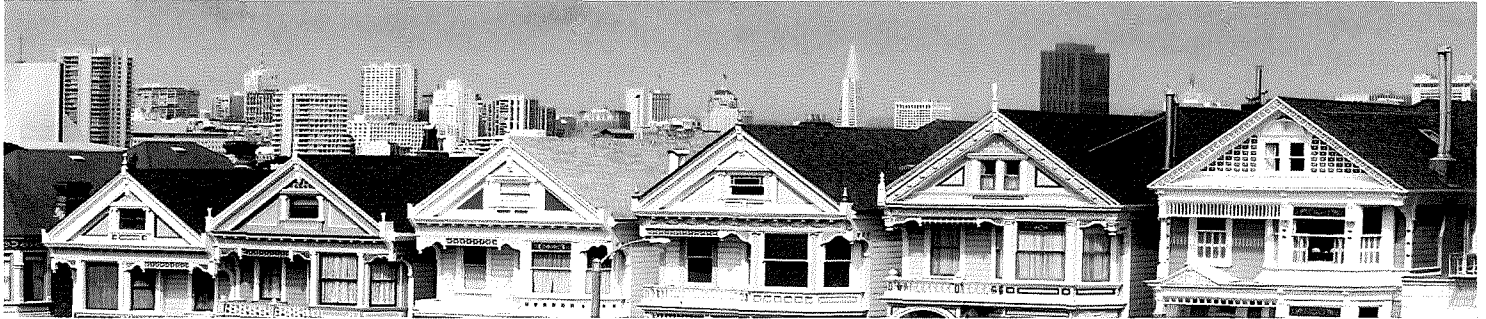


San Francisco Tourism Improvement District Management Corporation (TIDMC)

BUDGET & BALANCE SHEET

JULY 2011-JUNE 2012 ACTUAL			
INCOME	ACTUAL	REVISED BUDGET	OVER/(UNDER) BUDGET
Assessment Fee	\$24,808,837	\$24,000,000	\$808,837
Interest Income	\$18,349	\$20,000	(\$1,651)
TOTAL INCOME	\$24,827,186	\$24,020,000	\$807,186
EXPENSES	ACTUAL	REVISED BUDGET	OVER/(UNDER) BUDGET
SFTA Marketing & Operations	\$15,869,673	\$15,869,673	\$0
Moscone Convention Center Services and Improvements	\$15,316,688	\$15,137,600	\$179,088
SFTIDMC Administration	\$451,516	\$600,000	(\$148,484)
TOTAL EXPENSES	\$31,637,877	\$31,607,273	\$30,604
NET INCOME	(\$6,810,691)	(\$7,587,273)	\$776,582

JULY 2011-JUNE 2012 BALANCE SHEET	
ASSETS	
Cash	\$7,563,366
Accounts Receivable, Net	\$5,916,572
TOTAL ASSETS	\$13,479,938
LIABILITIES	
Accounts Payable	\$5,691,444
Accrued Liabilities	\$25,500
TOTAL LIABILITIES	\$5,716,944
TOTAL NET ASSETS (CARRYOVER)	\$7,762,994
TOTAL LIABILITIES & NET ASSETS	\$13,479,938



JULY 2012-JUNE 2013 BUDGET

INCOME	BUDGET
Assessment Fee	\$25,700,000
Interest Income	\$20,000
TOTAL INCOME	\$25,720,000

EXPENSES	BUDGET
SFTA Marketing & Operations	\$16,885,000
Moscone Convention Center Services and Improvements	\$8,335,000
SFTIDMC Administration	\$500,000
TOTAL EXPENSES	\$25,720,000

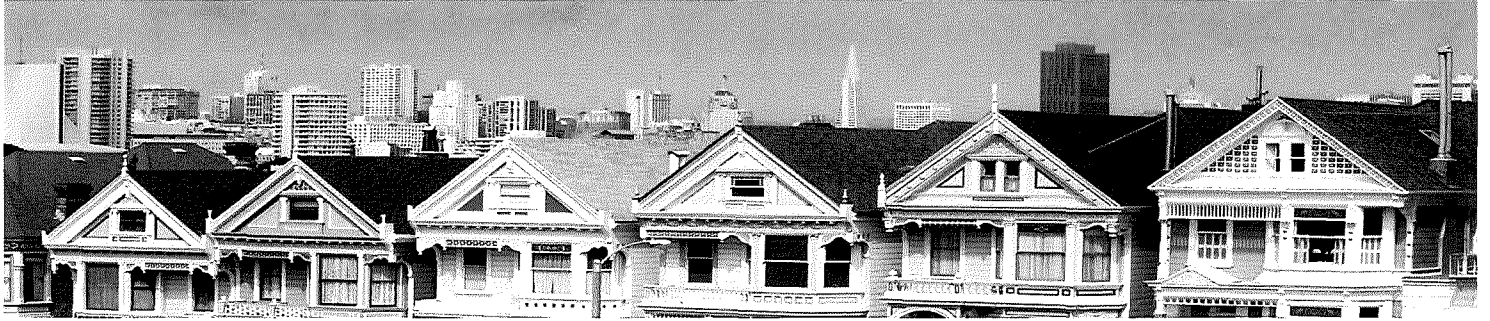
NET INCOME **\$0**

PROJECTED CARRYOVER DISBURSEMENT

CARRYOVER	TOTAL	TO BE USED IN FY 2012-2013	TO BE USED IN FUTURE YEARS
SFTA Marketing & Operations	\$6,800,512		\$6,800,512
Moscone Convention Center Services and Improvements	\$291,092		\$291,092
Contingency/Reserve	\$671,390		\$671,390
TOTAL CARRYOVER DISBURSEMENT	\$7,762,994	\$0	\$7,762,994

SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT



SFTID Board of Directors | FY 2011-2012

BOARD CHAIR

Dan Kelleher, Marriott Marquis

BOARD VICE-CHAIR

Toni Knorr, St Regis Hotel

SECRETARY/TREASURER

Rodrigo Enriquez, Extronomical Adventures

John Cope, Huntington Hotel

Michael Dunne, Hilton San Francisco

Jon Kimball, Westin St. Francis

Bob MacIntosh, President & CEO, PIER 39

Jan Misch, Tuscan Inn

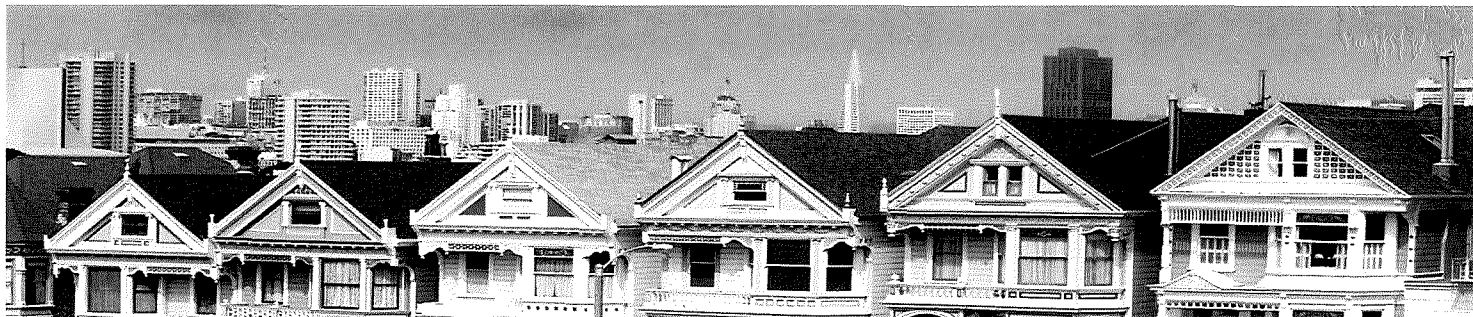
Monique Moyer, Executive Director, Port of San Francisco

John Noguchi, City and County of San Francisco

SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT

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Annual Report | 2010-2011

Tourism is San Francisco's largest industry, generating nearly \$8 billion in direct spending, benefitting San Francisco's residents and businesses.

The mission of the San Francisco Tourism Improvement District (SFTID) is to ensure that funding for the San Francisco Convention & Visitors Bureau's (SFCVB) sales, marketing and promotional efforts on behalf of San Francisco as a visitor destination, and the renovation and potential expansion of Moscone Center, is maintained at an aggressive and competitive level. As the organization tasked with nurturing the health and vitality of San Francisco's largest industry, tourism, the San Francisco Convention & Visitors Bureau has never been more prepared and in a better position than they are in today.

In May 2011 San Francisco played host to 5,600 international tour operators, travel journalists and fellow U.S. travel industry peers as U.S. Travel's annual International Pow Wow convention was held in our city. In what U.S. Travel calls the most successful Pow Wow ever – both in attendance numbers and anecdotal feedback from participants – San Francisco truly brought out the red carpet and produced a spectacular and memorable event that has raised the standards of that convention for future years.

Pow Wow 2011 did not happen due to the efforts of one organization or individual. What made Pow Wow 2011 so successful was the collaboration and commitment throughout and through every level of our industry. Every tourism-related business and organization in this city pulled together to produce a seamless event.

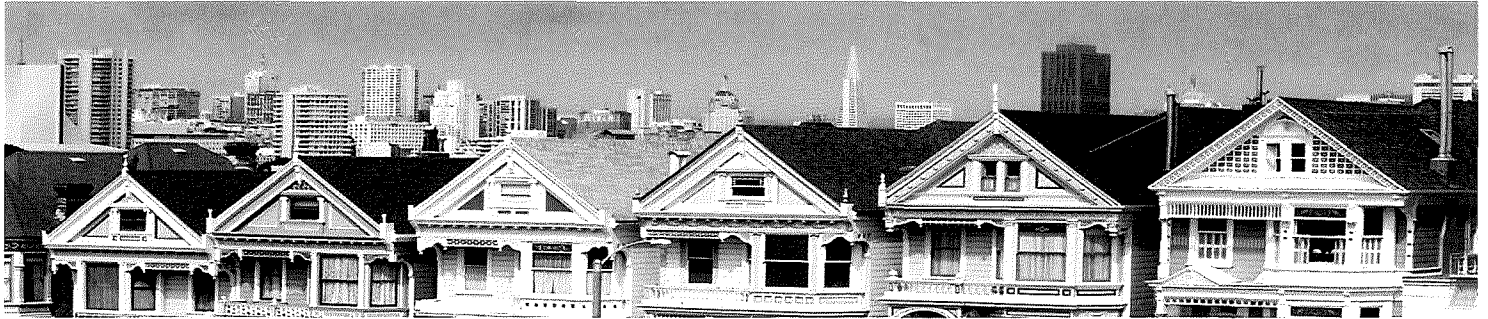
Looking ahead to the upcoming years, with events such as the U.S. Open taking place at the Olympic Club in 2012, the 75th anniversary of the Golden Gate Bridge and San Francisco being selected to host the 34th America's Cup yachting competition... the world is watching San Francisco.

This report reviews achievements of the past year and documents the TID's activities.

With the continued support of the hotels that care deeply about the success of this industry, the TID looks forward to another year of continued success.

Sincerely,

Dan Kelleher, SFTID Board Chair



The purpose of the sales and marketing program of work is to set industry standards and position San Francisco as the most compelling destination in the world. The TID contracts the services of the San Francisco Convention & Visitors Bureau (SFCVB), which, with more than 100 years' of expertise, is well positioned to fulfill this goal.

With the benefit of TID funding, the SFCVB has been able to conduct a comprehensive review and strategic analysis of the industry, and has created a plan that focuses on being proactive and setting new, visionary strategies to lead San Francisco's tourism industry.

Highlights of SFCVB activity during FY 2010-2011:

Tourism Sales and Marketing

- San Francisco hosted International Pow Wow 2011 from May 21-25
- Over **5,600 delegates** participated, making this the best-attended Pow Wow in over 10 years
 - 1,500 international travel buyers from over 70 different countries
 - 450 international and domestic press
 - 3,650 domestic travel suppliers
- **Three days of pre-scheduled business meetings** held at Moscone Center
- Two days of sightseeing tours to **educate the buyers** on the variety of tourist attractions in San Francisco (Saturday-Sunday)
- Three evening events hosted at various tourism related venues in the city, highlighting the **diversity of San Francisco**
 - "Rock The Night" Sunday evening opening event at Alcatraz and PIER 39
 - "Culture Club" – Tuesday evening at the California Academy of Sciences, co-hosted with San Francisco International Airport
 - "Ultimate San Francisco Party" – Wednesday evening closing party, hosted by San Francisco Travel and the California Travel and Tourism Commission, held at City Hall and Civic Plaza
- Over the next three years, San Francisco expects to reap an **additional \$350M in visitor spending** as a result of hosting the event

**International
PowWow
5,600 delegates**

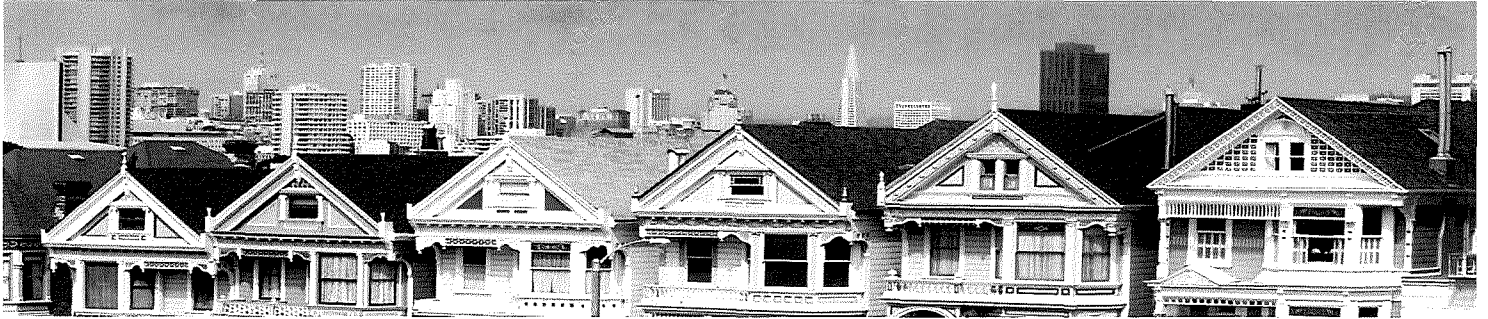
Convention and Meeting Sales

In FY 2010-2011, the SFCVB re-structured the convention and meeting product strategic plan, organizing it into five areas:

PLAN for sales success
FIND convention and meeting business
WIN convention and meeting business
KEEP convention and meeting business
REPORT on sales successes and challenges

1,914,224

Total room nights booked

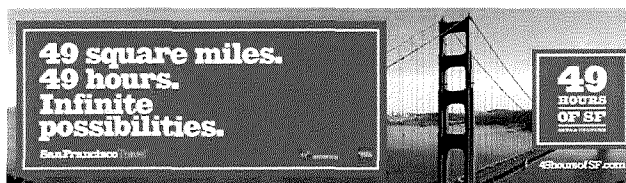


Convention and Meeting Sales (cont)

- Maintained and/or enhanced all principal existing sales programs at the SFCVB.
- Booked 1,941,224 room nights for future citywide and self-contained meetings, 108% of goal.
- Generated 5,626,405 lead room nights for future citywide and self-contained meetings, 106% of goal.
- While many other CVB teams' sales production dropped 30% or more, TID funding helped the SFCVB maintain the highest booked rooms per sales manager and highest booked rooms per square foot of dedicated convention center exhibit space in the country.
- TID funding allowed SFCVB sales staff to participate in 32 industry trade shows/conventions, including several third-party planner partner conferences.

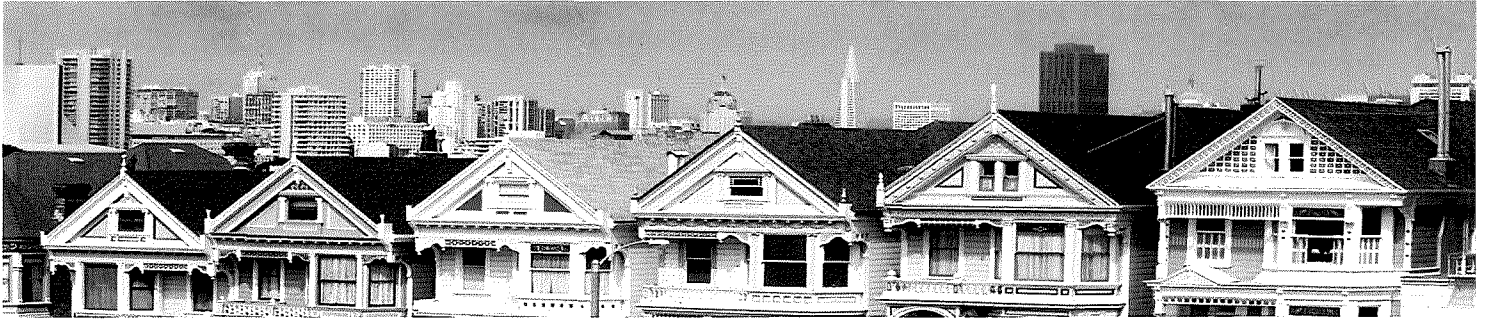
Marketing

- The SFCVB website once again met the goal in FY 2010-2011, generating 3.5 million unique visitors and \$55,747,809 in direct spending for the city. This was accomplished at the same time of launching a completely redesigned site, which will allow visitors easier access to the information most relevant to them and providing a much richer social media interface. Social media hit major milestones as well, with San Francisco's Facebook page achieving 400,000 "Fans," with deep engagement from the biggest fans.
- A hundred and one years after it was created in the wake of the 1906 earthquake, The SFCVB, in February 2011, suggested the name change to San Francisco Travel Association effective July 1, 2011, as part of the strategic planning process and after several months of dedicated work on the part of staff, outside agency partners, and a Task Force formed from members of our Board of Directors. The keys to the change – increasing our relevance, and being better positioned to fully curate the San Francisco experience for our visitors and our customers.
- A new co-op marketing campaign called "49 Hours of San Francisco –Arts & Culture," was launched, which leveraged the city's world-renowned arts and culture offerings (from institutions that included SFMOMA, the SF Symphony and the California Academy of Sciences) to drive overnight visitation to San Francisco during the summer months. Campaign elements included an



LA-based print/digital/Out-of-Home ad campaign; a series of shareable, luminary-created SF itineraries; a deep, content-rich microsite with social media incorporated, and map of "the events of the next 49 hours;" 49-second videos (including user-

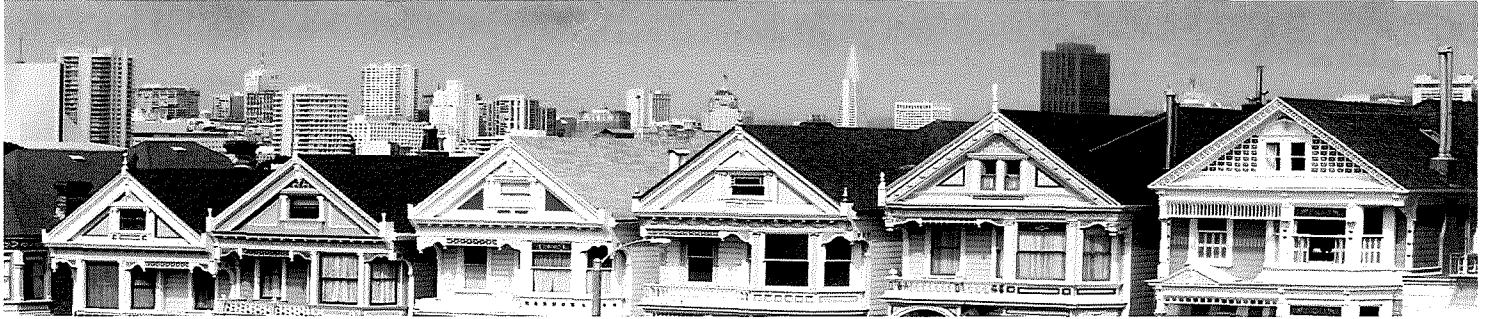
generated videos); and a San Francisco cable car spent 4 days in LA touring key art-related events, distributing collateral and promotional items, and entering visitors to win a trip to San



Francisco. A Twitter campaign promoted the cable car's whereabouts and invited visitors to see the car and win prizes. By the end of the campaign, website traffic was up 245%, and the arts & culture page views increased 434% YOY.

- With the involvement and support of a SFCVB Board-approved Task Force, the process of renovating the visitor information center at Hallidie Plaza began to bring it up to the current level of visitor expectations. A group has been working closely with many partners at the City, the Union Square Business Improvement District, and BART to ensure the experience in the outer plaza is safe and welcoming for the hundreds of thousands of visitors who come into the visitor information center every year.
- To leverage the 10th Anniversary of San Francisco's highly successful and popular Dine About Town event, to launch and promote the new Acura TSX Sports Wagon, and to reach the highly-desirable foodie demographic with an integrated, innovative and creative content partnership, the SFCVB created a custom experience in which winners of a sweepstakes would "Eat Your Way from SF2LA," dining, driving and stopping all along the way during the ultimate California gastro-road trip. Winners enjoyed a full daylong SF food-stravaganza, and then headed south to LA stopping in Monterey, San Luis Obispo, and Santa Barbara to experience the great food at every hot spot. Event/campaign components included website banners, integrated editorial coverage, food blogs, social/print media, onsite event integration, radio promotion, and online corporate partner media channels including Zagat, American Express and OpenTable, resulting in 282 million collective paid/earned media impressions.





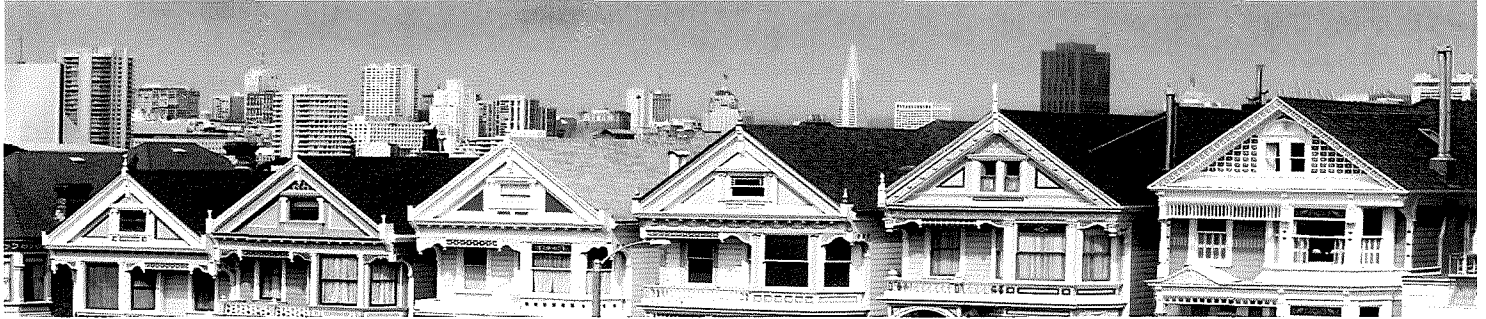
MOSCONE RENOVATION

The TID has begun work on the renovation of the Moscone Center, and expects the bulk of the work to be completed in May 2012. In FY 2010-2011 the project team hit the ground running with construction on many upgrades. The TID, working closely with the project team (City's Department of Public Works, Jones Lange LaSalle Americas, Inc., Webcor Builders and HOK Architects) reviewed scope and design to move forward with renovation that identified and prioritized the upgrades needed.

The construction work started in August 2010 and will run through May 2012. The upgrade and renovation work ranges from basic aesthetic improvements to significant infrastructure projects, including:

- New carpet, paint, lighting and ceilings
- Restroom renovations with new fixtures, tile, paint and partitions
- Upgraded lobbies
- Upgraded kitchen
- Digital displays and telecom/data cabling upgrades
- Elevator and escalator improvements
- Variable-speed control and other HVAC upgrades
- Meeting new ADA requirements
- Pursuing LEED Gold Certification
- City Information Desks in North, South and West





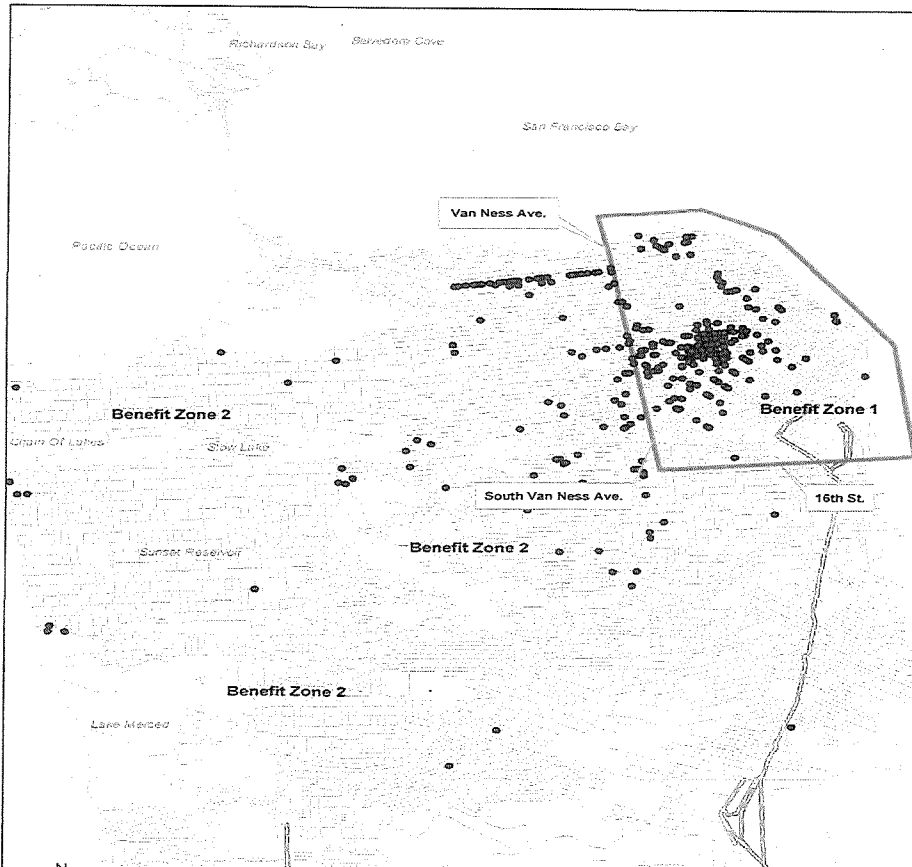
TID COLLECTION METHODOLOGY

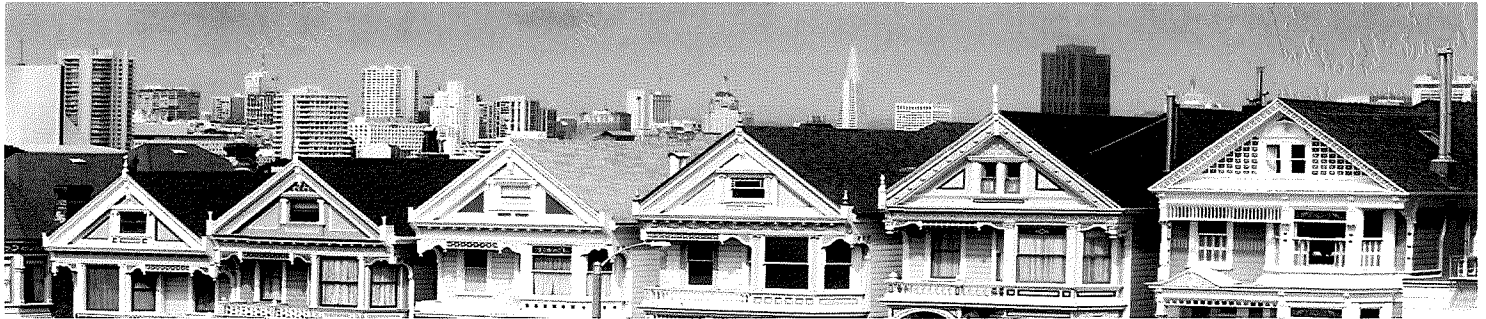
Tourist hotels are broken up into two Zones. Tourist hotels in Zone 1 are assessed 1.5% of gross revenue from tourist rooms for years 1 – 5, and 1% of gross revenue from tourist rooms for years 6 - 15. Tourist hotels in Zone 2 are assessed 1% of gross revenue from tourist rooms for years 1 - 5, and 0.75% of gross revenue from tourist rooms for years 6 - 15.

Zone 1 Tourist hotels: All tourist hotels with addresses on or east of Van Ness Avenue, on or east of South Van Ness Avenue, and on or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay.

Zone 2 Tourist hotels: All tourist hotels with addresses west of Van Ness Avenue and South Van Ness Avenue, and all tourist hotels south of 16th Street.

San Francisco Tourism Improvement District



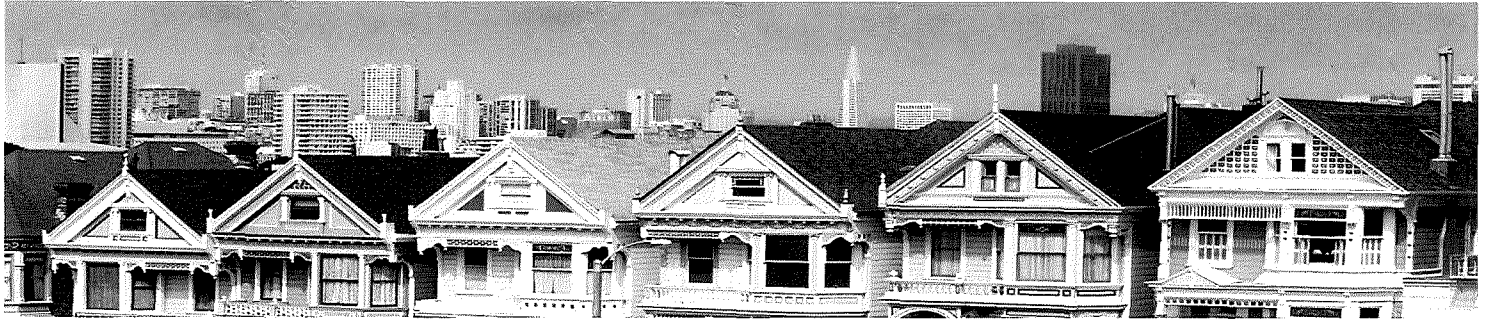


San Francisco Tourism Improvement District Management Corporation (TIDMC)

BUDGET & BALANCE SHEET

JULY 2010 - JUNE 2011 ACTUAL			
INCOME	ACTUAL	BUDGET	OVER/(UNDER) BUDGET
Assessment Fee	\$20,970,337	\$18,770,000	\$2,200,337
Interest Income	\$38,748	\$0	\$38,748
TOTAL INCOME	\$21,009,085	\$18,770,000	\$2,239,085
EXPENSES	ACTUAL	BUDGET	OVER/(UNDER) BUDGET
SFCVB Marketing & Operations	\$12,959,038	\$12,959,038	\$0
Moscone Convention Center Services and Improvements	\$5,844,489	\$5,995,000	(\$150,511)
SFTIDMC Administration	\$497,228	\$600,000	(\$102,772)
TOTAL EXPENSES	\$19,300,755	\$19,554,038	(\$253,283)
NET INCOME	\$1,708,330	(\$784,038)	\$2,492,368

JULY 2010 - JUNE 2011 BALANCE SHEET	
ASSETS	
Cash	\$10,920,769
Accounts Receivable, Net	\$5,248,424
TOTAL ASSETS	\$16,169,193
LIABILITIES	
Accounts Payable	\$1,560,508
Accrued Liabilities	\$35,000
TOTAL LIABILITIES	\$1,595,508
TOTAL NET ASSETS (CARRYOVER)	\$14,573,685
TOTAL LIABILITIES & NET ASSETS	\$16,169,193



JULY 2011 - JUNE 2012 BUDGET

INCOME	BUDGET
Assessment Fee	\$20,600,000
Interest Income	\$20,000
TOTAL INCOME	\$20,620,000

ADDITIONAL FUNDING

Carryover From Prior Year	\$7,559,000
Projected Additional Assessment Fee from Future Year	\$972,100
TOTAL ADDITIONAL FUNDING	\$8,531,100

TOTAL INCOME & ADDITIONAL FUNDING	\$29,151,100
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EXPENSES	BUDGET
SFCVB Marketing & Operations	\$13,413,500
Moscone Convention Center Services and Improvements	\$15,137,600
SFTIDMC Administration	\$600,000
TOTAL EXPENSES	\$29,151,100

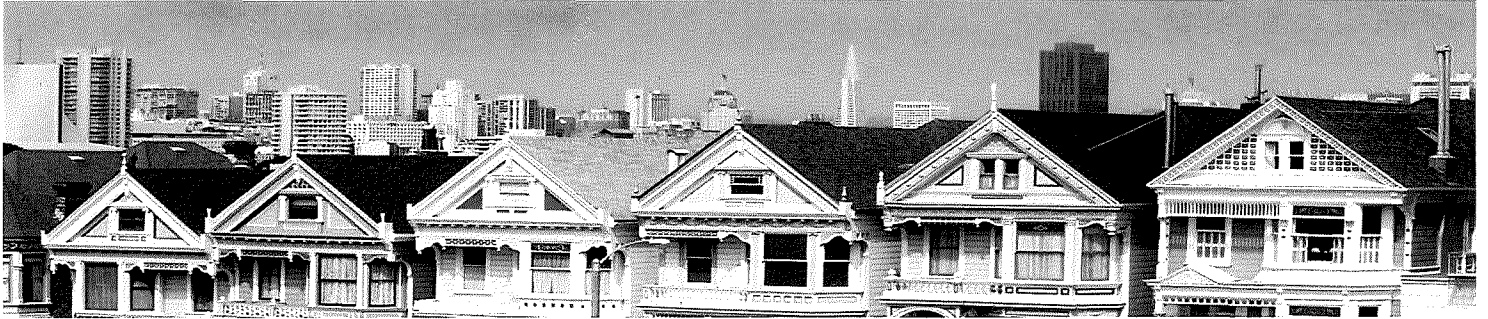
NET INCOME	\$0
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PROJECTED CARRYOVER DISBURSEMENT

CARRYOVER	TOTAL	TO BE USED IN FY 2011- 2012	TO BE USED IN FUTURE YEARS
SFCVB Marketing & Operations	\$6,343,295		\$6,343,295
Moscone Center Services and Improvements	\$7,559,000	\$7,559,000	\$0
Contingency/Reserve	\$671,390		\$671,390
TOTAL CARRYOVER DISBURSEMENT	\$14,573,685	\$7,559,000	\$7,014,685

SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT



SFTID Board of Directors | FY 2010-2011

BOARD CHAIR

Dan Kelleher, Marriott Marquis

BOARD VICE-CHAIR

Monique Moyer, Port of San Francisco

SECRETARY/TREASURER

Robert MacIntosh, PIER 39

Michael Dunne, Hilton San Francisco

Jon Kimball, Westin St. Francis

Toni Knorr, St Regis Hotel

Jan Misch, Tuscan Inn

John Noguchi, City and County of San Francisco

Jerry Simmons, Hyatt Regency

Ingrid Summerfield, Joie de Vivre Hotels

SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT

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SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT



We are pleased to present the first San Francisco Tourism Improvement District (TID) annual report. Tourism is San Francisco's largest industry, generating nearly \$8 billion in direct spending, benefitting San Francisco's residents and businesses.

The mission of the TID is to ensure that funding for the San Francisco Convention & Visitors Bureau's sales, marketing and promotional efforts on behalf of San Francisco as a visitor destination, and the renovation and potential expansion of Moscone Center, is maintained at an aggressive and competitive level.

During our first year, the foundation of the TID was built. The San Francisco Tourism Improvement District Management Corporation (SFTIDMC) was formed to manage the TID, which included forming a Board of Directors, adopting governing documents, and creating of several task forces in furtherance of the TID's goals.

This report reviews achievements of the past year and documents the TID's activities. Some highlights of initiatives that were made possible due to TID funding include:

San Francisco Convention & Visitors Bureau sales and marketing initiatives:

- Maintained or enhanced all existing major sales and marketing activities
- Hired three extra sales staff in national sales offices
- Hired additional convention services manager to focus on self-contained groups
- Conducted review and assessment of sales and marketing practices
- Performed in-depth and comprehensive visitor research
- Conducted extensive branding review.

Moscone Center activity:

- Began laying foundation for the \$55 million renovation for Moscone North and South
- Developed scope of work, retained project managers, general contractor and architectural design firm for Moscone renovation;
- Funded a study on the economic impact and feasibility of a Moscone expansion.

In a time when many businesses and organizations were facing economic uncertainty and instability, the establishment of the TID has allowed the San Francisco visitor industry to focus on building strong foundations, thoughtfully and thoroughly assessing sales and promotional activity, and ensuring that the industry is in a strong position to move forward.

With the continued support of the hotels that care deeply about the success of this industry, the TID looks forward to another year of continued success.

Sincerely,

Dan Kelleher, TIDMC Board Chair



SALES AND MARKETING PROGRAM

The purpose of the sales and marketing program of work is to set industry standards and position San Francisco as the most compelling destination in the world. The TID contracts the services of the San Francisco Convention & Visitors Bureau (SFCVB), which, with more than 100 years' of expertise, is well positioned to fulfill this goal.

With the benefit of TID funding, the SFCVB has been able to conduct a comprehensive review and strategic analysis of the industry, and has created a plan that focuses on being proactive and setting new, visionary strategies to lead San Francisco's tourism industry.

Highlights of SFCVB activity during FY 2009-2010:

Convention and Meeting Sales

- Maintained and/or enhanced all principal existing sales programs at the SFCVB.
- Added a new citywide (Moscone Center groups using multiple hotels) sales manager in Washington, D.C., allowing the SFCVB to better prospect and provide customer support in the DC Metro area, New York, and other areas in the Eastern United States.
- Added a new self-contained (groups not using Moscone Center) sales manager in Chicago, allowing the SFCVB to have both a dedicated citywide and self-contained manager in the Midwest.
- Added a new convention services manager, allowing the SFCVB to provide support to large self-contained groups (500+ rooms on peak) for the first time as well as better coverage and support of site inspections for citywide customers.
- Booked 1,751,210 room nights for future citywide and self-contained meetings, 97.5% of goal and 102.0% of optimal year target.
- Generated 5,067,132 lead room nights for future citywide and self-contained meetings, 101.0% of goal.
- While many other CVB teams' sales production dropped 30% or more (e.g. Atlanta dropped from 1.9 million future booked rooms to 1.3 million), TID funding helped the SFCVB maintain the highest booked rooms per sales manager and highest booked rooms per square foot of dedicated convention center exhibit space in the country.
- TID funding allowed SFCVB sales staff to participate in 32 industry trade shows/conventions, including several third-party planner partner conferences for the first time.

1.8 million

room nights booked for future meetings



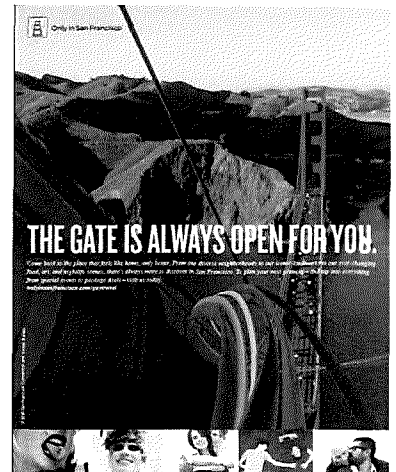
Marketing

- The SFCVB website – onlyinsanfrancisco.com – exceeded the established goals to reach 3.5 million unique visits, which represents \$53,574,300 in economic impact to San Francisco.

3.5 million
unique visits to onlyinsanfrancisco.com

Additionally, our social media efforts are generating huge recognition among “fans” of the City, and we’re in regular communication with hundreds of thousands of people on Facebook and Twitter who’ve signed up to be part of the San Francisco community.

- As part of strategic planning, and in direct result to a Destination Management Association report in which bureaus across the country face challenges of relevance, the SFCVB began an extensive review and analysis of the San Francisco/SFCVB brand, and of the SFCVB’s role in managing and curating that brand.
- A comprehensive visitor research program was established to gain insight into what makes San Francisco a compelling destination, and what will ultimately motivate and drive visitation. This comprises a hotel guest survey as well as in-market intercept survey, and will also include specific leisure visitor and arts & culture visitor components co-funded by industry partners.
- The third annual Summer arts program – this year titled ArtBash – brought together several cultural institutions to support and create awareness of blockbuster museum exhibitions. Marketed with festival style creative and promotion of the major exhibitions, as well as other Arts & Culture offerings in San Francisco, it ran from May-September (results being tallied now) in key feeder markets including New York Metro, Seattle Portland, Los Angeles, San Diego and Sacramento. Media included combination of print, online, radio and social media. Publications included The New Yorker, Vanity Fair, Conde Nast Traveler, New York Times Magazine and local publications, and along with the advertisements, posters and rack cards were distributed locally and in Seattle and Sacramento. Overall program impressions (does not include radio): 30 million.
- As part of the SFCVB’s ongoing commitment to the LGBT community – a segment of the population less affected by the economic downturn than many others – an integrated marketing program was launched in April to promote gay travel to San Francisco. With national media and an emphasis in San Diego and Los Angeles, our media included a combination of national and local print, and national and local online, and received 16 million impressions from April-June.





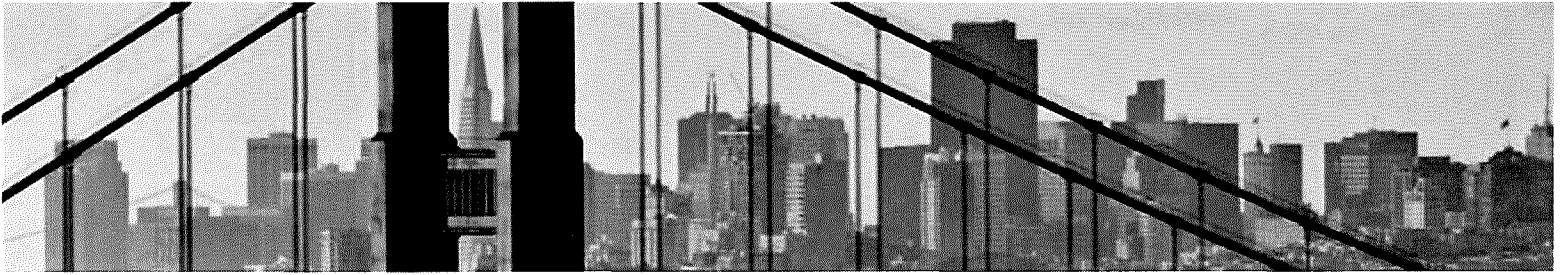
MOSCONE RENOVATION

The TID has begun work on the renovation of the Moscone Convention Center, and expects the bulk of the work to be completed in July 2012. 2009/10 was a year of setting the stage for a successful completion. The TID, working closely with the City's Department of Public Works, retained Jones Lange LaSalle Americas, Inc. in late 2009 to develop a scope of work that identified and prioritized the upgrades needed for the renovation, and a complex schedule of work in multiple phases that would fit in to the busy calendar of Moscone Center. After the scope of renovations was defined, the TIDMC went out to bid for a project manager, architect and general contractor for the entire renovation project. In June and July of 2010, the TID retained Jones Lange LaSalle as project manager, Hellmuth, Obata & Kassalbaum as architect, and Webcor Construction LP as general contractor.

The construction work will take place from August 2010 through late 2012. The upgrade and renovation work ranges from basic aesthetic improvements to significant infrastructure projects, including:

- New carpet, paint, lighting and ceilings
- Restroom renovations with new fixtures, tile, paint and partitions
- Upgraded lobbies
- Upgraded kitchen
- Digital displays and telecom/data cabling upgrades
- Elevator and escalator improvements
- Variable-speed control and other HVAC upgrades
- Meeting new ADA requirements
- Pursuing LEED Silver Certification



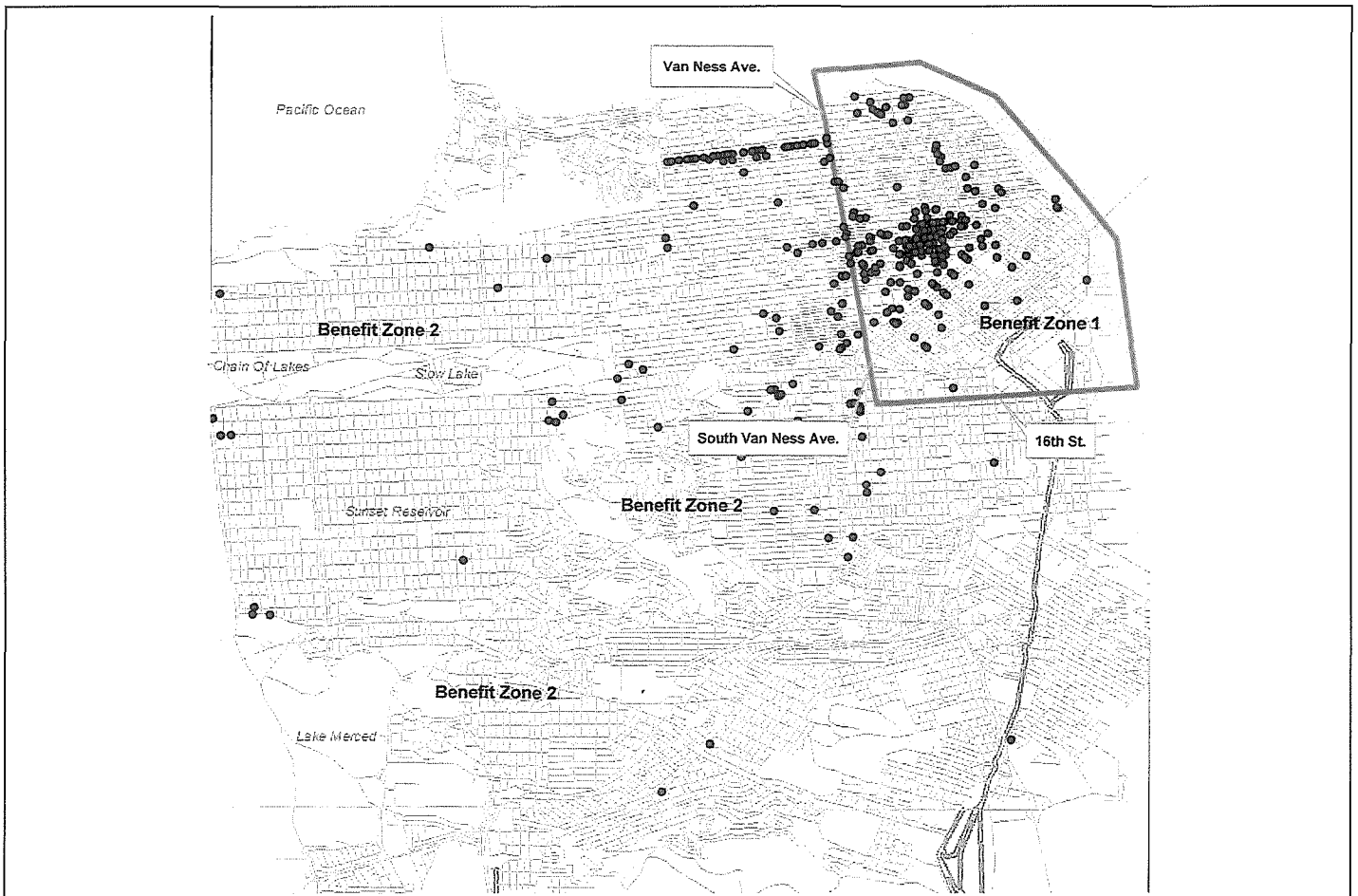


TID COLLECTION METHODOLOGY

Tourist hotels are broken up into two Zones. Tourist hotels in Zone 1 are assessed 1.5% of gross revenue from tourist rooms for years 1-5, and 1% of gross revenue from tourist rooms for years 6-15. Tourist hotels in Zone 2 are assessed 1% of gross revenue from tourist rooms for years 1-5, and 0.75% of gross revenue from tourist rooms for years 6-15.

Zone 1 Tourist hotels: All tourist hotels with addresses on or east of Van Ness Avenue, on or east of South Van Ness Avenue, and on or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay.

Zone 2 Tourist hotels: All tourist hotels with addresses west of Van Ness Avenue and South Van Ness Avenue, and all tourist hotels south of 16th Street.



SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT



San Francisco Tourism Improvement District Management Corporation (TIDMC)

BUDGET & BALANCE SHEET

JULY 2009-JUNE 2010 ACTUAL

INCOME	ACTUAL	BUDGET	OVER/(UNDER) BUDGET
Assessment Fee	\$18,817,509	\$17,950,000	\$867,509
Interest Income	\$62,840	\$0	\$62,840
TOTAL INCOME	\$18,880,349	\$17,950,000	\$930,349
EXPENSES	ACTUAL	BUDGET	OVER/(UNDER) BUDGET
SFCVB Marketing & Operations	\$11,530,000	\$11,530,000	\$0
Moscone Convention Center Services and Improvements	\$1,751,455	\$5,520,000	(\$3,768,545)
SFTIDMC Administration	\$486,300	\$900,000	(\$413,700)
TOTAL EXPENSES	\$13,767,755	\$17,950,000	(\$4,182,245)
NET INCOME	\$5,112,594	\$0	\$5,112,594

JULY 2009-JUNE 2010 BALANCE SHEET

ASSETS	
Cash	\$9,820,897
Accounts Receivable, Net	\$4,591,544
TOTAL ASSETS	\$14,412,441
LIABILITIES	
Accounts Payable	\$1,516,586
Accrued Liabilities	\$30,500
TOTAL LIABILITIES	\$1,547,086
TOTAL NET ASSETS (CARRYOVER)	\$12,865,355
TOTAL LIABILITIES & NET ASSETS	\$14,412,441

SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT



JULY 2010-JUNE 2011 BUDGET

INCOME	BUDGET
Assessment Fee	\$18,770,000
Interest Income	\$0
TOTAL INCOME	\$18,770,000
EXPENSES	BUDGET
SFCVB Marketing & Operations	\$12,175,000
Moscone Convention Center Services and Improvements	\$5,995,000
SFTIDMC Administration	\$600,000
TOTAL EXPENSES	\$18,770,000
NET INCOME	\$0

PROJECTED CARRYOVER DISBURSEMENT

CARRYOVER	TOTAL	TO BE USED IN FY 2010-2011	TO BE USED IN FUTURE YEARS
SFCVB Marketing & Operations	\$5,567,079	\$788,277	\$4,778,802
Moscone Convention Center Services and Improvements	\$6,626,887	\$4,324,317	\$2,302,570
Contingency/Reserve	\$671,389	\$0	\$671,389
TOTAL CARRYOVER DISBURSEMENT	\$12,865,355	\$5,112,594	\$7,752,761

SFTID

SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT



SFTID Board of Directors

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Toni Knorr, St Regis

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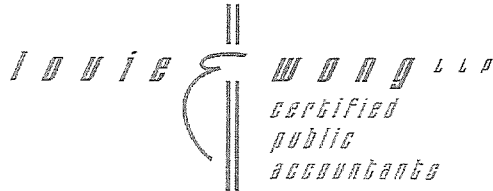
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**SAN FRANCISCO TOURISM IMPROVEMENT
DISTRICT MANAGEMENT CORPORATION**

COMBINED FINANCIAL STATEMENTS AS OF
AND FOR THE YEAR ENDED
JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of San Francisco Tourism Improvement District Management Corporation (SFTIDMC), a California not-for-profit organization, which comprise the combined statements of financial position as of June 30, 2016, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the SFTIDMC's preparation and fair presentation of the combined 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 SFTIDMC'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of San Francisco Tourism Improvement District Management Corporation as of June 30, 2016, and the combined changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the SFTIDMC's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Louie + Wong LLP

San Francisco, California
October 31, 2016

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

ASSETS

	TID	MED	Totals	
			2016	2015
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,267,715	\$ 5,657,009	\$ 6,924,724	\$ 17,076,464
Short-term investments	-	18,844,625	18,844,625	10,138,739
Accounts receivable	6,526,555	8,203,112	14,729,667	12,149,002
	<u>7,794,270</u>	<u>32,704,746</u>	<u>40,499,016</u>	<u>39,364,205</u>
LONG-TERM INVESTMENTS	<u>3,677,468</u>	<u>2,075,643</u>	<u>5,753,111</u>	<u>-</u>
	<u>\$ 11,471,738</u>	<u>\$ 34,780,389</u>	<u>\$ 46,252,127</u>	<u>\$ 39,364,205</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:				
Accounts payable	\$ 21,032	\$ 2,959,046	\$ 2,980,078	\$ 5,592,849
Accrued liabilities	20,025	24,475	44,500	40,000
	<u>41,057</u>	<u>2,983,521</u>	<u>3,024,578</u>	<u>5,632,849</u>
LONG-TERM LIABILITY:				
Retention payable	-	716,276	716,276	-
COMMITMENTS AND CONTINGENCIES				
NET ASSETS				
Unrestricted	11,430,681	31,080,592	42,511,273	33,731,356
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
	<u>11,430,681</u>	<u>31,080,592</u>	<u>42,511,273</u>	<u>33,731,356</u>
	<u>\$ 11,471,738</u>	<u>\$ 34,780,389</u>	<u>\$ 46,252,127</u>	<u>\$ 39,364,205</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Totals	
	TID	MED			2016	2015
REVENUES:						
Assessments	\$ 26,158,050	\$ 31,538,330	\$ -	\$ -	\$ 57,696,380	\$ 53,228,075
Interest and dividends	37,097	112,672	-	-	149,769	107,971
Total revenues	26,195,147	31,651,002	-	-	57,846,149	53,336,046
EXPENSES:						
Program services	29,605,500	18,610,972	-	-	48,216,472	39,855,833
Management and general	375,787	473,973	-	-	849,760	853,980
Total expenses	29,981,287	19,084,945	-	-	49,066,232	40,709,813
CHANGE IN NET ASSETS	(3,786,140)	12,566,057	-	-	8,779,917	12,626,233
NET ASSETS - BEGINNING OF YEAR	15,216,821	18,514,535	-	-	33,731,356	21,105,123
NET ASSETS - END OF YEAR	\$ 11,430,681	\$ 31,080,592	\$ -	\$ -	\$ 42,511,273	\$ 33,731,356

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	<u>TID</u>		<u>MED</u>		<u>Totals</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Program Services</u>	<u>Management and General</u>	<u>2016</u>	<u>2015</u>
Marketing and promotion	\$ 29,605,500	\$ -	\$ -	\$ -	\$ 29,605,500	\$ 21,815,239
Moscone Center -						
Expansion	-	-	15,295,137	-	15,295,137	16,383,424
Sales incentive	-	-	3,315,835	-	3,315,835	1,350,000
Capital projects	-	-	-	-	-	307,170
Contractual services -						
Treasurer fees	-	250,987	-	291,572	542,559	579,646
San Francisco Travel Association fees	-	75,035	-	147,689	222,724	211,588
Professional fees	-	47,029	-	24,963	71,992	56,708
Insurance and taxes	-	2,043	-	2,310	4,353	4,103
Office expenses	-	693	-	7,439	8,132	1,935
	<u>\$ 29,605,500</u>	<u>\$ 375,787</u>	<u>\$ 18,610,972</u>	<u>\$ 473,973</u>	<u>\$ 49,066,232</u>	<u>\$ 40,709,813</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

**(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015)**

	TID	MED	Totals	
			2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ (3,786,140)	\$ 12,566,057	\$ 8,779,917	\$ 12,626,233
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Accounts receivable	(1,000,248)	(1,580,417)	(2,580,665)	(1,255,106)
Accounts payable	20,242	(2,633,013)	(2,612,771)	2,734,425
Accrued liabilities	2,025	2,475	4,500	6,500
Retainage payable	-	716,276	716,276	-
Total adjustments	(977,981)	(3,494,679)	(4,472,660)	1,485,819
Net cash provided (used in) by operating activities	(4,764,121)	9,071,378	4,307,257	14,112,052
CASH FLOW FROM INVESTING ACTIVITY:				
Net purchase of investments	(3,677,468)	(10,781,529)	(14,458,997)	(10,138,739)
Net cash used in investing activity	(3,677,468)	(10,781,529)	(14,458,997)	(10,138,739)
NET INCREASE (DECREASE) IN CASH	(8,441,589)	(1,710,151)	(10,151,740)	3,973,313
CASH - BEGINNING OF YEAR	9,709,304	7,367,160	17,076,464	13,103,151
CASH - END OF YEAR	\$ 1,267,715	\$ 5,657,009	\$ 6,924,724	\$ 17,076,464

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2016

1. Summary of Significant Accounting Policies

General -- 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 and Moscone Expansion District pursuant to a management contract with the City and County of San Francisco (the City).

Basis of Presentation -- The accompanying combined financial statements include the accounts of Tourism Improvement District and Moscone Expansion District.

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

Basis of Accounting -- The accompanying combined financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents -- Cash consists of cash in checking and savings accounts. Cash equivalents consist of short-term and highly liquid investments with original maturities of three months from the date of acquisition.

Accounts Receivable and Allowance for Doubtful Accounts -- The accounts receivable represent the assessments due from the City. The allowance for doubtful accounts is determined based on the collectability of receivables. Receivables are written off when it is probable that the receivables will not be collected. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for doubtful accounts has been provided.

Investments -- Investments consist of corporate bonds and mutual funds which are carried at market value. Investments with maturities of less than one year as of the statement of financial position date are classified as short-term. Investments with maturities of more than one year as of the statement of financial position date are classified as long-term.

SFTIDMC invest in high quality obligations in order to achieve the maximum yield consistent with safety of principal and maintenance of liquidity. The primary objective is the preservation of capital and the assurance of appropriate liquidity, by limiting default risk and market risk, to meet the needs of SFTIDMC. The secondary objective is to maximize the current and expected yield on the fund assets, so as to provide additional income for operating purposes. The investment policy also requires the management to maintain a reasonable relationship between short-term and long-term investments.

Retention Payable -- Retention payable represents retention provisions of up to 5% which is withheld from each progress payment as retainage until the contract work has been completed and approved. Retention related to contracts that are expected to be completed more than one year from the statement of financial position date are classified as long-term.

Revenues -- Actual revenues from assessments, which include fines and penalties, are recognized when the assessments from hotels become due and measurable and when collectability is reasonably assured.

Professional and Contractual Expenses -- Professional and contractual services are expensed as incurred.

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 combined financial statements.

Generally accepted accounting 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 combined 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.

Allocation of Functional Expenses -- The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Estimates Included in the Combined Financial Statements -- The preparation of combined 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 combined 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 Statements -- The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SFTIDMC's combined financial statements for the year ended June 30, 2015, from which the summarized information was derived.

New Accounting Pronouncement -- In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. The core principle of the guidance is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, this new guidance will require significantly expanded revenue recognition disclosures. In July 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2018. SFTIDMC is currently evaluating the provisions of this ASU.

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities. The amendments in the ASU made several improvements to current reporting requirements that address net asset classes, investment return, expenses, liquidity and availability of resources and

presentation of operating cash flows. The ASU is effective for financial statements beginning after December 15, 2017. SFTIDMC is currently evaluating the provisions of this ASU.

Subsequent Events -- SFTIDMC has evaluated subsequent events through October 31, 2016, the date the combined financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the combined financial statements would be required.

2. Description of Net Assets

The combined financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted -- This is used to account for resources that are available to support SFTIDMC's operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the purposes specified in the Management District Plan, the nature of the organization, the environment in which it operates, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The unrestricted net assets are limited for the following purposes as provided in the Management District Plan as of June 30, 2016:

	<u>TID</u>	<u>MED</u>	<u>Total</u>
Moscone Convention Center Development and Expansion	\$ -	\$ 27,750,446	\$ 27,750,446
San Francisco Travel Association Marketing and Operations	7,758,049	-	7,758,049
Moscone Convention Center Incentive Fund	654,721	2,190,688	2,845,409
Moscone Convention Center Capital Fund	2,343,805	260,337	2,604,142
Contingency/Reserve	674,106	879,121	1,553,227
	<u>\$ 11,430,681</u>	<u>\$ 31,080,592</u>	<u>\$ 42,511,273</u>

Temporarily Restricted -- This is used to account for resources that are restricted by the donor for use for a particular purpose or in a particular future period. SFTIDMC had no temporarily restricted net assets as of June 30, 2016.

Permanently Restricted -- This is used to account for resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with the donor's restriction nor by the passage of time. SFTIDMC had no permanently restricted net assets as of June 30, 2016.

3. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB Accounting Standards Codification (ASC) 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SFTIDMC has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. There has been no change in the methodology used at June 30, 2016 and 2015.

Corporate Bonds -- Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds -- Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by SFTIDMC are open-end mutual funds that

are registered with the Securities & Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by SFTIDMC are deemed actively traded.

The assets measured at fair value, as of June 30, 2016, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents -				
Corporate bonds	\$ -	\$ 2,508,990	\$ -	\$ 2,508,990
	<u>-</u>	<u>2,508,990</u>	<u>-</u>	<u>2,508,990</u>
Investments -				
Corporate bonds	-	23,995,347	-	23,995,347
Money market mutual funds	602,389	-	-	602,389
	<u>602,389</u>	<u>23,995,347</u>	<u>-</u>	<u>24,597,736</u>
Assets at fair value	<u>\$ 602,389</u>	<u>\$ 26,504,337</u>	<u>\$ -</u>	<u>\$ 27,106,726</u>

The return from these investments reported in the statement of activities consisted of interest income and dividends which amounted to \$121,734 during the year ended June 30, 2016.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SFTIDMC believe their valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. **Business Improvement Districts**

Tourism Improvement District (TID)

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 assessment) 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 of San Francisco as a leisure and convention destination in an increasingly competitive world, 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>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
January 1, 2009 – December 31, 2013	1.50%	1.00%
January 1, 2014 – December 31, 2023	1.00%	0.75%

The TID assessments will be 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.

Moscone Expansion District (MED)

On June 21, 2012, the City announced the development of a 25-year master plan for the expansion of the Moscone Center. The expansion will be 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 City’s convention center. MED 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>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
July 1, 2013 – December 31, 2013	0.5000%	0.3125%
January 1, 2014 – December 31, 2045	1.2500%	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 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, tradeshow and conventions to San Francisco via offset of rental costs.
- 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.

5. Line of Credit

In January 2015, SFTIDMC entered into a revolving line of credit agreement with a bank with maturity of January 15, 2016. On January 12, 2016, the line of credit was renewed with expiration of February 1, 2017. Under the agreement, SFTIDMC may borrow up to a maximum amount of \$5,000,000. The line of credit is secured by the assets of SFTIDMC.

The line of credit bears a variable interest rate, set by the bank, based on changes in the prime rate, but under no circumstances be less than 3.00% per annum. There has been no borrowing under this line of credit during the year ended June 30, 2016.

6. 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 \$29,605,500 and \$209,400, respectively, during the year ended June 30, 2016. There was no payable to the Association for these services as of June 30, 2016.

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 a net payable of \$17,194 to the Association for these advances as of June 30, 2016.

7. Program Services

As discussed in Note 3 to the combined financial statements, the TID assessment is designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination and to fund repairs and improvements to the Moscone Center; while the MED assessment is designed to provide the majority of funding for the expansion of the Moscone Center.

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 TID and MED. The

amount of fees charged by the Treasurer for both TID and MED amounted to \$542,559 during the year ended June 30, 2016. These fees are recorded under Contractual Services – Treasurer in the combined statement of functional expenses.

SFTIDMC provides for retention related to the Moscone Center expansion. The retention will be due upon completion of the contracts and acceptance, or earlier, as provided by the contract. The contract work is expected to be completed by December 2018.

9. Concentrations of Risk

The majority of SFTIDMC's revenues are from TID and MED assessments. As such, SFTIDMC's ability to generate resources is dependent upon the assessments collected by hotels from gross hotel room revenues in the City and County of San Francisco.

Financial instruments, which potentially subject SFTIDMC to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. SFTIDMC's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to SFTIDMC's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the combined financial statements. SFTIDMC periodically reviews its cash and investment policy and believes that any potential loss is not material to the combined financial statements.

**SAN FRANCISCO TOURISM IMPROVEMENT
DISTRICT MANAGEMENT CORPORATION**

COMBINED FINANCIAL STATEMENTS AS OF
AND FOR THE YEAR ENDED
JUNE 30, 2015

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of San Francisco Tourism Improvement District Management Corporation (SFTIDMC), a California not-for-profit organization, which comprise the combined statements of financial position as of June 30, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the SFTIDMC's preparation and fair presentation of the combined 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 SFTIDMC'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of San Francisco Tourism Improvement District Management Corporation as of June 30, 2015, and the combined changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the SFTIDMC's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Louie + Wong LLP

San Francisco, California
October 22, 2015

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)

ASSETS

	<u>TID</u>	<u>MED</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
CURRENT ASSETS:				
Cash	\$ 9,709,304	\$ 7,367,160	\$ 17,076,464	\$ 13,103,151
Short-term investments	-	10,138,739	10,138,739	-
Accounts receivable	<u>5,526,307</u>	<u>6,622,695</u>	<u>12,149,002</u>	<u>10,893,896</u>
	<u>\$ 15,235,611</u>	<u>\$ 24,128,594</u>	<u>\$ 39,364,205</u>	<u>\$ 23,997,047</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:				
Accounts payable	\$ 790	\$ 5,592,059	\$ 5,592,849	\$ 2,858,424
Accrued liabilities	<u>18,000</u>	<u>22,000</u>	<u>40,000</u>	<u>33,500</u>
Total current liabilities	<u>18,790</u>	<u>5,614,059</u>	<u>5,632,849</u>	<u>2,891,924</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS				
Unrestricted	15,216,821	18,514,535	33,731,356	21,105,123
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
	<u>15,216,821</u>	<u>18,514,535</u>	<u>33,731,356</u>	<u>21,105,123</u>
	<u>\$ 15,235,611</u>	<u>\$ 24,128,594</u>	<u>\$ 39,364,205</u>	<u>\$ 23,997,047</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Totals	
	TID	MED			2015	2014
REVENUES:						
Assessments	\$ 24,471,280	\$ 28,756,795	\$ -	\$ -	\$ 53,228,075	\$ 42,509,251
Interest income	40,316	67,655	-	-	107,971	40,188
Total revenues	<u>24,511,596</u>	<u>28,824,450</u>	<u>-</u>	<u>-</u>	<u>53,336,046</u>	<u>42,549,439</u>
EXPENSES:						
Program services	21,815,239	18,040,594	-	-	39,855,833	29,883,657
Management and general	547,003	306,977	-	-	853,980	1,068,197
Total expenses	<u>22,362,242</u>	<u>18,347,571</u>	<u>-</u>	<u>-</u>	<u>40,709,813</u>	<u>30,951,854</u>
CHANGE IN NET ASSETS	2,149,354	10,476,879	-	-	12,626,233	11,597,585
NET ASSETS - BEGINNING OF YEAR	<u>13,067,467</u>	<u>8,037,656</u>	<u>-</u>	<u>-</u>	<u>21,105,123</u>	<u>9,507,538</u>
NET ASSETS - END OF YEAR	<u>\$ 15,216,821</u>	<u>\$ 18,514,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,731,356</u>	<u>\$ 21,105,123</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	<u>TID</u>		<u>MED</u>		<u>Totals</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Program Services</u>	<u>Management and General</u>	<u>2015</u>	<u>2014</u>
Marketing and promotion	\$ 21,815,239	\$ -	\$ -	\$ -	\$ 21,815,239	\$ 18,500,000
Moscone Center -						
Expansion	-	-	16,383,424	-	16,383,424	10,307,735
Sales incentive	-	-	1,350,000	-	1,350,000	1,068,781
Capital projects	-	-	307,170	-	307,170	-
Contractual services -						
Treasurer fees	-	329,121	-	250,525	579,646	791,285
San Francisco Travel Association fees	-	199,500	-	12,088	211,588	190,000
Professional fees	-	16,297	-	40,411	56,708	84,425
Insurance and taxes	-	1,903	-	2,200	4,103	3,766
Interest expense	-	-	-	-	-	3,375
Office expenses	-	182	-	1,753	1,935	2,487
	<u>\$ 21,815,239</u>	<u>\$ 547,003</u>	<u>\$ 18,040,594</u>	<u>\$ 306,977</u>	<u>\$ 40,709,813</u>	<u>\$ 30,951,854</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

**(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014)**

	<u>TID</u>	<u>MED</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 2,149,354	\$ 10,476,879	\$ 12,626,233	\$ 11,597,585
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Accounts receivable	(539,775)	(715,331)	(1,255,106)	(4,437,351)
Accounts payable	(1,949,525)	4,683,950	2,734,425	1,290,519
Accrued liabilities	(2,100)	8,600	6,500	5,500
Total adjustments	<u>(2,491,400)</u>	<u>3,977,219</u>	<u>1,485,819</u>	<u>(3,141,332)</u>
Net cash provided (used in) by operating activities	<u>(342,046)</u>	<u>14,454,098</u>	<u>14,112,052</u>	<u>8,456,253</u>
CASH FLOW FROM INVESTING ACTIVITY:				
Purchase of investments	<u>-</u>	<u>(10,138,739)</u>	<u>(10,138,739)</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>(10,138,739)</u>	<u>(10,138,739)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(342,046)	4,315,359	3,973,313	8,456,253
CASH - BEGINNING OF YEAR	<u>10,051,350</u>	<u>3,051,801</u>	<u>13,103,151</u>	<u>4,646,898</u>
CASH - END OF YEAR	<u>\$ 9,709,304</u>	<u>\$ 7,367,160</u>	<u>\$ 17,076,464</u>	<u>\$ 13,103,151</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2015

1. Summary of Significant Accounting Policies

General -- 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 and Moscone Expansion District pursuant to a management contract with the City and County of San Francisco (the City).

Basis of Presentation -- The accompanying combined financial statements include the accounts of Tourism Improvement District and Moscone Expansion District.

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

Basis of Accounting -- The accompanying combined financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents -- Cash consists of cash in checking and savings accounts. SFTIDMC considers all short-term and highly liquid investments with

original maturities of three months or less as cash equivalents, unless the investments are held for meeting restrictions of a capital or endowment nature.

Accounts Receivable and Allowance for Doubtful Accounts -- The accounts receivable represents the assessments due from the City. The allowance for doubtful accounts is determined based on the collectability of receivables. Receivables are written off when it is probable that the receivables will not be collected. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for doubtful accounts has been provided.

Investments -- Investments consist of corporate bonds which are carried at market value. Investments with maturities of less than one year as of the balance sheet date are classified as short-term. Investments with maturities of more than one year as of the balance sheet date are classified as long-term.

SFTIDMC invest in high quality obligations in order to achieve the maximum yield consistent with safety of principal and maintenance of liquidity. The primary objective is the preservation of capital and the assurance of appropriate liquidity, by limiting default risk and market risk, to meet the needs of SFTIDMC. The secondary objective is to maximize the current and expected yield on the fund assets, so as to provide additional income for operating purposes. The investment policy also requires the management to maintain a reasonable relationship between short-term and long-term investments.

Revenues -- Actual revenues from assessments, which include fines and penalties, are recognized when the assessments from hotels become due and measurable and when collectability is reasonably assured.

Professional and Contractual Expenses -- Professional and contractual services are expensed as incurred.

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 combined financial statements.

Generally accepted accounting 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 combined 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.

Concentration of Credit Risk -- Financial instruments, which potentially subject SFTIDMC to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. SFTIDMC periodically reviews its cash and investment policy and believes that any potential loss is not material to the combined financial statements.

Estimates Included in the Combined Financial Statements -- The preparation of combined 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 combined 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 Statements -- The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the

United States of America. Accordingly, such information should be read in conjunction with SFTIDMC's combined financial statements for the year ended June 30, 2014, from which the summarized information was derived.

New Accounting Pronouncement -- In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. The core principle of the guidance is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, this new guidance will require significantly expanded revenue recognition disclosures. In July 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2018. SFTIDMC is currently evaluating the provisions of this ASU.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going Concern. The guidance requires management, in connection with preparing financial statements, to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). The amendments in this update are effective for the annual period ending after December 15, 2016. SFTIDMC will adopt the provisions of ASU No. 2014-15 effective July 1, 2017. The adoption is not expected to have a material effect on the financial statements of SFTIDMC.

Subsequent Events -- SFTIDMC has evaluated subsequent events through October 22, 2015, the date the combined financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the combined financial statements would be required.

2. Description of Net Assets

Unrestricted -- This is used to account for resources that are available to support SFTIDMC's operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the purposes specified in the Management District Plan, the nature of the organization, the environment in which it operates, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The unrestricted net assets are limited for the following purposes as provided in the Management District Plan as of June 30, 2015:

	<u>TID</u>	<u>MED</u>	<u>Total</u>
Moscone Center Development and Expansion	\$ 2,414,447	\$ 13,495,557	\$ 15,910,004
Marketing and Promotions	11,478,899	-	11,478,899
Moscone Center Incentive Fund	652,083	3,990,121	4,642,204
Administration and Operating Contingency Reserve	671,392	662,594	1,333,986
Moscone Center Capital Reserve	-	366,263	366,263
	<u>\$ 15,216,821</u>	<u>\$ 18,514,535</u>	<u>\$ 33,731,356</u>

Temporarily Restricted -- This is used to account for resources that are restricted by the donor for use for a particular purpose or in a particular future period. SFTIDMC had no temporarily restricted net assets as of June 30, 2015.

Permanently Restricted -- This is used to account for resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with the donor's restriction nor by the passage of time. SFTIDMC had no permanently restricted net assets as of June 30, 2015.

3. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB Accounting Standards Codification (ASC) 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SFTIDMC has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value

measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. There has been no change in the methodology used at June 30, 2015 and 2014.

Investments -- These consist of corporate bonds which are valued at quoted prices using similar securities for which prices are available. These are classified under Level 2 of the valuation hierarchy. In determining fair value, the market approach is used which utilizes process and other relevant information generated by market transactions involving identical generated assets or liabilities. Observable inputs reflect the assumptions market participants would use in valuing a financial instruments based on market data obtained from independent sources.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SFTIDMC believe their valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. Business Improvement Districts

Tourism Improvement District (TID)

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 assessment) 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 of San Francisco as a leisure and convention destination in an increasingly competitive world, 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>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
January 1, 2009 – December 31, 2013	1.50%	1.00%
January 1, 2014 – December 31, 2023	1.00%	0.75%

The TID assessments will be 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.

Moscone Expansion District (MED)

On June 21, 2012, the City announced the development of a 25-year master plan for the expansion of the Moscone Center. The expansion will be 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 City's convention center. MED 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>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
July 1, 2013 – December 31, 2013	0.5000%	0.3125%
January 1, 2014 – December 31, 2045	1.2500%	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 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, tradeshow and conventions to San Francisco via offset of rental costs.
- 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.

5. Line of Credit

On July 27, 2012, SFTIDMC entered into a revolving line of credit agreement with a bank which expired on November 28, 2013. The line of credit was renewed on January 6, 2015, with a maturity date of January 15, 2016. Under the agreement, SFTIDMC may borrow up to a maximum amount of \$5,000,000. The line of credit is secured by the assets of SFTIDMC.

The line of credit bears a variable interest rate, set by the bank, based on changes in the prime rate, but under no circumstances be less than 3.00% per annum. The interest expense and the average interest rate on the line of credit were \$3,375 and 3.0%, respectively, during the year ended June 30, 2014. The maximum and average

outstanding balances on the revolving line were \$900,000 and \$112,500, respectively, during the year ended June 30, 2014. There has been no borrowing under this line of credit during the year ended June 30, 2015.

SFTIDMC was required by the bank to maintain certain financial ratios and covenants including (a) current ratio of not less than 3.25 to 1.00, (b) tangible net worth of not less than \$10,000,000, and (c) total liabilities to tangible net worth of not greater than 0.50 to 1.00.

6. 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 \$21,815,239 and \$199,500, respectively, during the year ended June 30, 2015. There was no payable to the Association for these services as of June 30, 2015.

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 a net payable of \$29,175 to the Association for these advances as of June 30, 2015.

7. Program Services

As discussed in Note 3 to the combined financial statements, the TID assessment is designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination and to fund repairs and improvements to the Moscone Center; while the MED assessment is designed to provide the majority of funding for the expansion of the Moscone Center.

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 TID and MED. The amount of fees charged by the Treasurer for both TID and MED amounted to \$579,646 during the year ended June 30, 2015. These fees are recorded under Contractual Services – Treasurer in the combined statement of functional expenses.

**SAN FRANCISCO TOURISM IMPROVEMENT
DISTRICT MANAGEMENT CORPORATION**

COMBINED FINANCIAL STATEMENTS AS OF
AND FOR THE YEAR ENDED
JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of San Francisco Tourism Improvement District Management Corporation (SFTIDMC), a California not-for-profit organization, which comprise the combined statements of financial position as of June 30, 2014, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related combined notes to combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the SFTIDMC's preparation and fair presentation of the combined 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 SFTIDMC'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of San Francisco Tourism Improvement District Management Corporation as of June 30, 2014, and the combined changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the SFTIDMC's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 24, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Louie + Wong LLP

San Francisco, California
October 28, 2014

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)

ASSETS

	TID	MED	Totals	
			2014	2013
CURRENT ASSETS:				
Cash	\$ 10,051,350	\$ 3,051,801	\$ 13,103,151	\$ 4,646,898
Accounts receivable	4,986,532	5,907,364	10,893,896	6,456,545
	<u>\$ 15,037,882</u>	<u>\$ 8,959,165</u>	<u>\$ 23,997,047</u>	<u>\$ 11,103,443</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:				
Accounts payable	\$ 1,950,315	\$ 908,109	\$ 2,858,424	\$ 1,567,905
Accrued liabilities	20,100	13,400	33,500	28,000
	<u>1,970,415</u>	<u>921,509</u>	<u>2,891,924</u>	<u>1,595,905</u>
Total current liabilities				

COMMITMENTS AND CONTINGENCIES

NET ASSETS				
Unrestricted	13,067,467	8,037,656	21,105,123	9,507,538
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
	<u>13,067,467</u>	<u>8,037,656</u>	<u>21,105,123</u>	<u>9,507,538</u>
	<u>\$ 15,037,882</u>	<u>\$ 8,959,165</u>	<u>\$ 23,997,047</u>	<u>\$ 11,103,443</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Totals	
	TID	MED			2014	2013
REVENUES:						
Assessments	\$ 26,805,332	\$ 15,703,919	\$ -	\$ -	\$ 42,509,251	\$ 26,909,406
Interest income	30,914	9,274	-	-	40,188	32,008
Total revenues	<u>26,836,246</u>	<u>15,713,193</u>	<u>-</u>	<u>-</u>	<u>42,549,439</u>	<u>26,941,414</u>
EXPENSES:						
Program services	22,450,584	7,433,073	-	-	29,883,657	24,629,445
Management and general	825,733	242,464	-	-	1,068,197	567,425
Total expenses	<u>23,276,317</u>	<u>7,675,537</u>	<u>-</u>	<u>-</u>	<u>30,951,854</u>	<u>25,196,870</u>
CHANGE IN NET ASSETS	3,559,929	8,037,656	-	-	11,597,585	1,744,544
NET ASSETS - BEGINNING OF YEAR	<u>9,507,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,507,538</u>	<u>7,762,994</u>
NET ASSETS - END OF YEAR	<u>\$ 13,067,467</u>	<u>\$ 8,037,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,105,123</u>	<u>\$ 9,507,538</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	TID		MED		Totals	
	Program Services	Management and General	Program Services	Management and General	2014	2013
Marketing and promotion	\$ 18,500,000	\$ -	\$ -	\$ -	\$ 18,500,000	\$ 17,089,102
Moscone Center -						
Expansion	2,874,662	-	7,433,073	-	10,307,735	3,484,328
Sales incentive	1,068,781	-	-	-	1,068,781	1,042,239
Repairs and improvements	-	-	-	-	-	3,013,776
Contractual services -						
Treasurer fees	-	562,221	-	229,064	791,285	448,223
San Francisco Travel Association fees	-	190,000	-	-	190,000	54,857
Professional fees	-	71,025	-	13,400	84,425	53,435
Insurance and taxes	3,766	-	-	-	3,766	3,245
Interest expense	3,375	-	-	-	3,375	6,458
Office expenses	-	2,487	-	-	2,487	1,207
	<u>\$ 22,450,584</u>	<u>\$ 825,733</u>	<u>\$ 7,433,073</u>	<u>\$ 242,464</u>	<u>\$ 30,951,854</u>	<u>\$ 25,196,870</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

**(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013)**

	<u>TID</u>	<u>MED</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 3,559,929	\$ 8,037,656	\$ 11,597,585	\$ 1,744,544
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Accounts receivable	1,470,013	(5,907,364)	(4,437,351)	(539,973)
Accounts payable	382,410	908,109	1,290,519	(4,123,539)
Accrued liabilities	(7,900)	13,400	5,500	2,500
Total adjustments	<u>1,844,523</u>	<u>(4,985,855)</u>	<u>(3,141,332)</u>	<u>(4,661,012)</u>
Net cash provided by (used in) operating activities	<u>5,404,452</u>	<u>3,051,801</u>	<u>8,456,253</u>	<u>(2,916,468)</u>
NET INCREASE (DECREASE) IN CASH	5,404,452	3,051,801	8,456,253	(2,916,468)
CASH - BEGINNING OF YEAR	<u>4,646,898</u>	<u>-</u>	<u>4,646,898</u>	<u>7,563,366</u>
CASH - END OF YEAR	<u>\$ 10,051,350</u>	<u>\$ 3,051,801</u>	<u>\$ 13,103,151</u>	<u>\$ 4,646,898</u>

The accompanying independent auditors' report and notes to combined financial statements
should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2014

1. Summary of Significant Accounting Policies

General -- 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 and Moscone Expansion District pursuant to a management contract with the City and County of San Francisco (the City).

Basis of Presentation -- The accompanying combined financial statements include the accounts of Tourism Improvement District and Moscone Expansion District.

The SFTIDMC prepares the combined financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit organizations. The significant accounting and reporting policies used by SFTIDMC are described subsequently to enhance the usefulness and understandability of the combined financial statements.

Basis of Accounting -- The accompanying combined financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents -- Cash consists of cash in checking and savings accounts. SFTIDMC considers all short-term and highly liquid investments with

original maturities of three months or less as cash equivalents, unless the investments are held for meeting restrictions of a capital or endowment nature.

Accounts Receivable and Allowance for Doubtful Accounts -- The accounts receivable represents the assessments due from the City. The allowance for doubtful accounts is determined based on the collectability of receivables. Receivables are written off when it is probable that the receivables will not be collected. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for doubtful accounts has been provided.

Revenues -- Actual revenues from assessments, which include fines and penalties, are recognized when the assessments from hotels become due and measurable and when collectability is reasonably assured.

Professional and Contractual Expenses -- Professional and contractual services are expensed as incurred.

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 combined financial statements.

Generally accepted accounting 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 combined 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.

Concentration of Credit Risk -- Financial instruments, which potentially subject SFTIDMC to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. SFTIDMC periodically

reviews its cash and investment policy and believes that any potential loss is not material to the combined financial statements.

Estimates Included in the Combined Financial Statements -- The preparation of combined 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 combined 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 Statements -- The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SFTIDMC's combined financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Reclassification -- Certain items in the prior year summarized financial information have been reclassified to conform to the current year's presentation. Such reclassification had no effect on the previously reported change in net assets.

Subsequent Events -- SFTIDMC has evaluated subsequent events through October 28, 2014, the date the combined financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the combined financial statements would be required.

2. Description of Net Assets

Unrestricted -- This is used to account for resources that are available to support SFTIDMC's operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the purposes specified in the Management District Plan, the nature of the organization, the environment in which it operates, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The unrestricted net assets are limited for the following purposes as provided in the Management District Plan as of June 30, 2014:

	<u>TID</u>	<u>MED</u>	<u>Total</u>
Marketing and Promotions	\$ 9,409,633	\$ -	\$ 9,409,633
Moscone Center Development and Expansion	2,334,361	6,315,925	8,650,286
Moscone Center Incentive Fund	652,083	1,414,223	2,066,306
Administration and Operating Contingency Reserve	671,390	150,376	821,766
Moscone Center Capital Reserve	-	157,132	157,132
	<u>\$ 13,067,467</u>	<u>\$ 8,037,656</u>	<u>\$ 21,105,123</u>

Temporarily Restricted -- This is used to account for resources that are restricted by the donor for use for a particular purpose or in a particular future period. SFTIDMC had no temporarily restricted net assets as of June 30, 2014.

Permanently Restricted -- This is used to account for resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with the donor's restriction nor by the passage of time. SFTIDMC had no permanently restricted net assets as of June 30, 2014.

3. **Business Improvement Districts**

Tourism Improvement District (TID)

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 assessment) 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 of San Francisco as a leisure and convention destination in an increasingly competitive world, 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>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
Years 1 to 5	1.50%	1.00%
Years 6 to 15	1.00%	.75%

The TID assessments will be 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.

Moscone Expansion District (MED)

On June 21, 2012, the City announced the development of a 25-year master plan for the expansion of the Moscone Center. The expansion will be 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 City's convention center. MED 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>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
July 1 – December 31, 2013	0.5000%	0.3125%
January 1, 2014 to December 31, 2045	1.2500%	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 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, tradeshow and conventions to San Francisco via offset of rental costs.
- 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.

4. Line of Credit

On July 27, 2012, SFTIDMC entered into a revolving line of credit agreement with a bank which expired on November 28, 2013. The line of credit was renewed on January 13, 2014, with a maturity date of January 15, 2015. Under the agreement, SFTIDMC may borrow up to a maximum amount of \$5,000,000. The line of credit is secured by the assets of SFTIDMC.

The line of credit bears a variable interest rate, set by the bank, based on changes in the prime rate, but under no circumstances be less than 3.00% per annum. The interest expense and the average interest rate on the line of credit were \$3,375 and 3.0%, respectively, during the year ended June 30, 2014.

The maximum and average outstanding balances on the revolving line were \$900,000 and \$112,500, respectively, during the year ended June 30, 2014. There was no outstanding balance on the line of credit as of June 30, 2014.

SFTIDMC was required by the bank to maintain certain financial ratios and covenants including (a) current ratio of not less than 2.50 to 1.00, (b) tangible net worth of not less than \$10,000,000, and (c) total liabilities to tangible net worth of not greater than 0.65 to 1.00.

5. 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 \$18,500,000 and \$190,000, respectively, during the year ended June 30, 2014. There was no payable to the Association for these services as of June 30, 2014.

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 a net payable of \$3,397 to Association for these advances as of June 30, 2014.

6. Program Services

As discussed in Note 3 to the combined financial statements, the TID assessment is designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination and to fund repairs and improvements to the Moscone Center; while the MED assessment is designed to provide the majority of funding for the expansion of the Moscone Center.

7. **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 TID and MED. The amount of fees charged by the Treasurer for both TID and MED amounted to \$791,285 during the year ended June 30, 2014. These fees are recorded under Contractual Services – Treasurer in the combined statement of functional expenses.

**SAN FRANCISCO TOURISM IMPROVEMENT
DISTRICT MANAGEMENT CORPORATION**

COMBINED FINANCIAL STATEMENTS AS OF
AND FOR THE YEARS ENDED
JUNE 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

Report on Combined Financial Statements

We have audited the accompanying combined financial statements of San Francisco Tourism Improvement District Management Corporation (SFTIDMC), a California not-for-profit organization, which comprise the combined statements of financial position as of June 30, 2013, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related combined notes to combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 SFTIDMC'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of San Francisco Tourism Improvement District Management Corporation as of June 30, 2013, and the combined changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the SFTIDMC's 2012 financial statements, and our report dated October 31, 2012, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Louie + Wong LLP

San Francisco, California
October 24, 2013

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)

ASSETS

	TID	MED	Totals	
			2013	2012
CURRENT ASSETS:				
Cash	\$ 4,646,898	\$ -	\$ 4,646,898	\$ 7,563,366
Accounts receivable	6,456,545	-	6,456,545	5,916,572
	<u>\$ 11,103,443</u>	<u>\$ -</u>	<u>\$ 11,103,443</u>	<u>\$ 13,479,938</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:				
Accounts payable	\$ 1,567,905	\$ -	\$ 1,567,905	\$ 5,691,444
Accrued liabilities	28,000	-	28,000	25,500
Total current liabilities	<u>1,595,905</u>	<u>-</u>	<u>1,595,905</u>	<u>5,716,944</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS				
Unrestricted	9,507,538	-	9,507,538	7,762,994
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
	<u>9,507,538</u>	<u>-</u>	<u>9,507,538</u>	<u>7,762,994</u>
	<u>\$ 11,103,443</u>	<u>\$ -</u>	<u>\$ 11,103,443</u>	<u>\$ 13,479,938</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Totals	
	TID	MED			2013	2012
REVENUES:						
Assessments	\$ 26,909,406	\$ -	\$ -	\$ -	\$ 26,909,406	\$ 24,808,837
Interest income	32,008	-	-	-	32,008	18,349
Total revenues	26,941,414	-	-	-	26,941,414	24,827,186
EXPENSES:						
Program services	24,629,445	-	-	-	24,629,445	31,186,361
Management and general	567,425	-	-	-	567,425	451,516
Total expenses	25,196,870	-	-	-	25,196,870	31,637,877
CHANGE IN NET ASSETS	1,744,544	-	-	-	1,744,544	(6,810,691)
NET ASSETS - BEGINNING OF YEAR	7,762,994	-	-	-	7,762,994	14,573,685
NET ASSETS - END OF YEAR	\$ 9,507,538	\$ -	\$ -	\$ -	\$ 9,507,538	\$ 7,762,994

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	<u>TID</u>		<u>MED</u>		<u>Totals</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Program Services</u>	<u>Management and General</u>	<u>2013</u>	<u>2012</u>
Marketing and promotion	\$ 17,089,102	\$ -	\$ -	\$ -	\$ 17,089,102	\$ 15,869,673
Moscone Convention Center -						
Repairs and improvements	5,866,951	-	-	-	5,866,951	13,278,102
Sales incentive	1,042,239	-	-	-	1,042,239	1,441,230
Expansion	631,153	-	-	-	631,153	597,356
Contractual services -						
Treasurer	-	448,223	-	-	448,223	309,603
San Francisco Travel Association	-	54,857	-	-	54,857	78,818
Professional services	-	53,435	-	-	53,435	49,640
Interest expense	-	6,458	-	-	6,458	-
Insurance and taxes	-	3,245	-	-	3,245	3,052
Member meetings	-	875	-	-	875	4,363
Other	-	332	-	-	332	6,040
	<u>\$ 24,629,445</u>	<u>\$ 567,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,196,870</u>	<u>\$ 31,637,877</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

**(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012)**

	<u>TID</u>	<u>MED</u>	<u>Totals</u>	
			<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 1,744,544	\$ -	\$ 1,744,544	\$ (6,810,691)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Accounts receivable	(539,973)	-	(539,973)	(668,148)
Accounts payable	(4,123,539)		(4,123,539)	4,130,936
Accrued liabilities	2,500		2,500	(9,500)
Total adjustments	(4,661,012)	-	(4,661,012)	3,453,288
Net cash used in operating activities	(2,916,468)	-	(2,916,468)	(3,357,403)
NET DECREASE IN CASH	(2,916,468)	-	(2,916,468)	(3,357,403)
CASH - BEGINNING OF YEAR	7,563,366	-	7,563,366	10,920,769
CASH - END OF YEAR	<u>\$ 4,646,898</u>	<u>\$ -</u>	<u>\$ 4,646,898</u>	<u>\$ 7,563,366</u>

The accompanying independent auditors' report and notes to combined financial statements
should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2013

1. Summary of Significant Accounting Policies

General -- 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 and Moscone Expansion District pursuant to a management contract with the City and County of San Francisco (the City).

Basis of Presentation -- The accompanying combined financial statements include the accounts of Tourism Improvement District and Moscone Expansion District.

The SFTIDMC prepares the combined financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profits. The significant accounting and reporting policies used by SFTIDMC are described subsequently to enhance the usefulness and understandability of the combined financial statements.

Basis of Accounting -- The accompanying combined financial statements are prepared on the accrual basis of accounting.

Cash -- Cash consists of cash in checking and savings accounts.

Accounts Receivable and Allowance for Doubtful Accounts -- The accounts receivable represents the assessments due from the City. The allowance for doubtful accounts is determined based on the collectability of receivables. Receivables are written off when it is probable that the receivables will not be collected.

Revenues -- Actual revenues from assessments are recognized when the assessments from hotels become due and measurable and when collectability is reasonably assured.

Professional and Contractual Expenses -- Professional and contractual services are expensed as incurred.

Income Tax -- SFTIDMC has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(6) and the California Franchise Tax Board under Section 23701(e) of the California Revenue and Taxation Code. Accordingly, no provision for income tax has been made in the accompanying combined financial statements.

Generally accepted accounting provides disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state tax exempt organization returns are more likely than not to be sustained upon examination. SFTIDMC's returns are subject to examination by federal and state taxing authorities, generally for three to four years, respectively, after they are filed.

Concentration of Credit Risk -- Financial instruments, which potentially subject SFTIDMC to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. SFTIDMC periodically reviews its cash and investment policy and believes that any potential loss is not material to the combined financial statements.

Estimates Included in the Combined Financial Statements -- The preparation of combined 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 combined 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 Statements -- The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SFTIDMC's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Subsequent Events -- SFTIDMC has evaluated subsequent events through October 24, 2013, the date the combined financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the combined financial statements would be required.

2. Description of Net Assets

Unrestricted -- This is used to account for unrestricted revenues received from assessments and other unrestricted income and expenses.

Temporarily Restricted -- This is used to account for resources that are restricted by the donor for use for a particular purpose or in a particular future period. SFTIDMC had no temporarily restricted net assets as of June 30, 2013.

Permanently Restricted -- This is used to account for resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with the donor's restriction nor by the passage of time. SFTIDMC had no permanently restricted net assets as of June 30, 2013.

3. Business Improvement Districts

Tourism Improvement District (TID)

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 assessment) 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 of San Francisco as a leisure and convention destination in an increasingly competitive world, 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>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
Years 1 to 5	1.50%	1.00%
Years 6 to 15	1.00%	.75%

The TID assessments will be 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.

Moscone Expansion District (MED)

On June 21, 2012, the City announced the development of a 25-year master plan for the expansion of the Moscone Center. The expansion will be 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 City's convention center. MED will begin imposing assessment of fees on gross hotel room revenue beginning July 1, 2013 (MED assessments). The term of the MED is 32 years. The schedule of MED assessments is as follows:

<u>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
July 1 – December 31, 2013	.5000%	.3125%
January 1, 2014 to December 31, 2045	1.2500%	.3125%

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

- Contribution of \$8,200,000 million 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 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, tradeshow and conventions to San Francisco via offset of rental costs.
- 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.

4. Line of Credit

On July 27, 2012, SFTIDMC entered into a revolving line of credit agreement with a bank which will expire on July 1, 2013. On August 22, 2013, the expiration of the line of credit was extended to November 28, 2013. Under the agreement, SFTIDMC may borrow up to a maximum amount of \$5,000,000. The line of credit is secured by the assets of SFTIDMC.

The line of credit bears an interest of 3.25% per annum, subject to change from time to time based on changes in the prime rate set by the bank, but under no circumstances be less than 3.00% per annum. The interest expense and the average interest rate on the line of credit were \$6,458 and 3.0%, respectively, during the year ended June 30, 2013.

The maximum and average outstanding balances on the revolving line were \$1,000,000 and \$500,000, respectively, during the year ended June 30, 2013. There was no outstanding balance on the line of credit as of June 30, 2013.

SFTIDMC was required by the bank to maintain certain financial ratios and covenants including (a) current ratio of not less than 2.50 to 1.00, (b) tangible net worth of not less than \$10,000,000, and (c) total liabilities to tangible net worth of not greater than 0.65 to 1.00. SFTIDMC was not in compliance with the tangible net worth as of June 30, 2013. However, the bank has waived the breach of covenant as of and for the year ended June 30, 2013.

5. Related Party Transactions

SFTIDMC entered into agreements for professional and administrative services with the Association, a related party.

Under the professional services agreement, the Association will provide marketing and promotional services consistent with the requirements of the management plan. The Association will be compensated based on its budget, as approved by

SFTIDMC's Board of Directors, and consistent with the management plan. The agreement was effective for the period June 4, 2009 to June 30, 2010, and was automatically renewed after each year through June 30, 2013.

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. The Association will be compensated based on hours worked by the Association's employees.

As of June 30, 2013, SFTIDMC has a payable of \$12,583 to the Association for the administrative services fee per agreement. The expenditures related to the contractual services provided by the Association amounted to \$166,317 for the year ended June 30, 2013.

6. Program Services

As discussed in Note 3 to the combined financial statements, the TID assessment is designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination and to fund repairs and improvements to the Moscone Center. Funding for expenditures on these programs commenced on July 1, 2009.

Sales incentive payable to the Moscone Center amounted to \$1,042,239 as of June 30, 2013.

7. **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. In exchange for the collection services, SFTIDMC agreed to pay the Treasurer a total of \$309,603 each year through June 30, 2010. In January 2011, both the Treasurer and SFTIDMC agreed to extend the administration agreement through June 30, 2013, for the same amount of fees plus commission on collections. The amount of fees charged by the Treasurer for the year ended June 30, 2013 amounted to \$448,223, which is recorded under Contractual Services – Treasurer in the combined statement of functional expenses.

Both parties are negotiating a potential expansion of the scope of services to be provided by the Treasurer to SFTIDMC to include the collections of MED assessments which, when approved, will become effective from July 1, 2013, through June 30, 2014.

**SAN FRANCISCO TOURISM IMPROVEMENT
DISTRICT MANAGEMENT CORPORATION**

FINANCIAL STATEMENTS AS OF
JUNE 30, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of San Francisco Tourism Improvement District Management Corporation (SFTIDMC), a California not-for-profit organization, as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the SFTIDMC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the SFTIDMC's 2011 financial statements and, in our report dated October 27, 2011, we expressed an unqualified opinion on the financial statements.

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 of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SFTIDMC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Tourism Improvement District Management Corporation as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Louie + Wong LLP

San Francisco, California
October 31, 2012

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2011)

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2012</u>	<u>2011</u>
CURRENT ASSETS:					
Cash	\$ 7,563,366	\$ -	\$ -	\$ 7,563,366	\$ 10,920,769
Accounts receivable	5,916,572	-	-	5,916,572	5,248,424
	<u>\$ 13,479,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,479,938</u>	<u>\$ 16,169,193</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:					
Accounts payable	\$ 5,691,444	\$ -	\$ -	\$ 5,691,444	\$ 1,560,508
Accrued liabilities	25,500	-	-	25,500	35,000
Total current liabilities	5,716,944	-	-	5,716,944	1,595,508
 COMMITMENTS AND CONTINGENCIES					
 NET ASSETS	 7,762,994	 -	 -	 7,762,994	 14,573,685
	<u>\$ 13,479,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,479,938</u>	<u>\$ 16,169,193</u>

The accompanying independent auditors' report and notes to financial statements
should be read in conjunction with this statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
REVENUES:					
Tourism Improvement District	\$ 24,808,837	\$ -	\$ -	\$ 24,808,837	\$ 20,970,337
Interest income	18,349	-	-	18,349	38,748
Total revenues	24,827,186	-	-	24,827,186	21,009,085
EXPENSES:					
Program services	31,186,361	-	-	31,186,361	18,803,388
Management and general	451,516	-	-	451,516	497,367
Total expenses	31,637,877	-	-	31,637,877	19,300,755
CHANGE IN NET ASSETS	(6,810,691)	-	-	(6,810,691)	1,708,330
NET ASSETS - BEGINNING OF YEAR	14,573,685	-	-	14,573,685	12,865,355
NET ASSETS - END OF YEAR	\$ 7,762,994	\$ -	\$ -	\$ 7,762,994	\$ 14,573,685

The accompanying independent auditors' report and notes to financial statements
should be read in conjunction with this statement.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)

	Program Services	Management and General	Total	
			2012	2011
Marketing and promotion	\$ 15,869,673	\$ -	\$ 15,869,673	\$ 12,959,038
Moscone Convention Center -				
Repairs and improvements	13,278,102	-	13,278,102	4,573,859
Sales incentive	1,441,230	-	1,441,230	1,270,491
Expansion	597,356	-	597,356	-
Professional services	-	49,640	49,640	60,537
Contractual services -				
Treasurer	-	309,603	309,603	309,603
San Francisco Travel Association	-	78,818	78,818	88,432
Member meetings	-	4,363	4,363	6,330
Insurance and taxes	-	3,052	3,052	2,928
Other	-	6,040	6,040	29,537
	<u>\$ 31,186,361</u>	<u>\$ 451,516</u>	<u>\$ 31,637,877</u>	<u>\$ 19,300,755</u>

The accompanying independent auditors' report and notes to consolidated financial statements
should be read in conjunction with this statement.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (6,810,691)	\$ 1,708,330
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Accounts receivable	(668,148)	(656,880)
Accounts payable	4,130,936	43,922
Accrued liabilities	(9,500)	4,500
	<u>3,453,288</u>	<u>(608,458)</u>
Total adjustments		
Net cash provided by (used in) operating activities	<u>(3,357,403)</u>	<u>1,099,872</u>
NET INCREASE (DECREASE) IN CASH	(3,357,403)	1,099,872
CASH - BEGINNING OF YEAR	<u>10,920,769</u>	<u>9,820,897</u>
CASH - END OF YEAR	<u>\$ 7,563,366</u>	<u>\$ 10,920,769</u>

The accompanying independent auditors' report and notes to financial statements
should be read in conjunction with this statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. Summary of Significant Accounting Policies

General -- 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 pursuant to a management contract with the City and County of San Francisco (the City).

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 (TID), and the assessment of fees on identified businesses within the TID (the "TID Assessment"). The TID Assessment was designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination in an increasingly competitive world, and to fund repairs and improvements to the Moscone Convention Center.

The annual assessments commenced on January 1, 2009, and will continue until December 31, 2023. During the first five years, tourist hotels in Zones 1 and 2 of the TID will be assessed 1.50% and 1.00% of gross revenues from tourist rooms, respectively. After the first five years, the assessment rate will be 1.00% and 0.75% of gross revenues from tourist rooms in Zones 1 and 2, respectively.

The assessment will be collected by the City and remitted to SFTIDMC. The SFTIDMC will ensure that the assessments collected are used to benefit the assessed businesses by allocating them to the San Francisco Travel Association (the Association) (formerly known as San Francisco Convention & Visitors Bureau) to fund its marketing and promotional programs and by keeping San Francisco's convention facilities competitive with those of other major cities.

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

Basis of Presentation -- The SFTIDMC prepares the financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profits. The significant accounting and reporting policies used by SFTIDMC are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting -- The accompanying financial statements are prepared on the accrual basis of accounting.

Cash -- Cash consists of cash in bank accounts.

Accounts Receivable and Allowance for Doubtful Accounts -- The accounts receivable represents the assessments due from the City. The allowance for doubtful accounts is determined based on the collectability of receivables. Receivables are written off when it is probable that the receivables will not be collected.

Revenues -- Actual revenues from assessments are recognized when the assessments from hotels become due and measurable.

Professional and Contractual Expenses -- Professional and contractual services are expensed as incurred.

Income Tax -- SFTIDMC has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(6) and the California Franchise Tax Board under Section 23701(e) of the California Revenue and Taxation Code.

Accordingly, no provision for income tax has been made in the accompanying financial statements.

Concentration of Credit Risk -- Financial instruments, which potentially subject SFTIDMC to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. SFTIDMC periodically reviews its cash and investment policy and believes that any potential loss is not material to the financial statements.

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 Statements -- The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SFTIDMC's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

2. Description of Net Assets

Unrestricted -- This is used to account for unrestricted revenues received from assessments and other unrestricted income and expenses.

Temporarily Restricted -- This is used to account for resources that are restricted by the donor for use for a particular purpose or in a particular future period. SFTIDMC had no temporarily restricted net assets as of June 30, 2012.

Permanently Restricted -- This is used to account for resources whose use is limited by donor-imposed restrictions that neither expires by being used in accordance with the donor's restriction nor by the passage of time. SFTIDMC had no permanently restricted net assets as of June 30, 2012.

3. Related Party Transactions

SFTIDMC entered into agreements for professional and administrative services with the Association, whose members of the Board of Directors are also members of the Board of Directors of SFTIDMC.

Under the professional services agreement, the Association will provide marketing and promotional services consistent with the requirements of the management plan. The Association will be compensated based on its budget, as approved by SFTIDMC's Board of Directors, and consistent with the management plan. The agreement was effective for the period June 4, 2009 to June 30, 2010, and was automatically renewed through June 30, 2012.

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. The Association will be compensated based on hours worked by the Association's employees.

SFTIDMC has a payable of \$30,616 to the Association for the operating expenses paid by the Association on behalf of SFTIDMC as of June 30, 2012.

4. Program Services

As discussed in Note 1 to the financial statements, the TID Assessment is designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination and to fund repairs and improvements to the Moscone Convention Center. Funding for expenditures on these programs commenced on July 1, 2009.

Expenditures related to marketing and promotional programs of the Association amounted to \$15,869,673, and sales incentive granted to convention groups related to the rent of the Moscone Convention Center amounted to \$1,441,230 during the year ended June 30, 2012. Repairs and improvements to the Moscone Convention Center amounted to \$13,278,102 during the year ended June 30, 2012.

Sales incentive payable to the Moscone Convention Center, an operating unit of the City & County of San Francisco, amounted to \$1,441,230 as of June 30, 2012.

5. 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. In exchange for the collection services, SFTIDMC agreed to pay the Treasurer a total of \$309,603 each year through June 30, 2010. In January 2011, both the Treasurer and SFTIDMC agreed to extend the administration agreement through June 30, 2012, for the same amount of fees of \$309,603.

Both parties are negotiating a potential expansion of the scope of services to be provided by the Treasurer to SFTIDMC which, when approved, will become effective from July 1, 2012 through June 30, 2014.

6. Subsequent Events

On July 27, 2012, SFTIDMC entered into a revolving line of credit agreement with a bank which will expire on July 1, 2013, subject to renewal or extension at the bank's discretion. Under the agreement, SFTIDMC may borrow up to a maximum amount of \$5,000,000. The line of credit bears an interest of 3.25% per annum, subject to change from time to time based on changes in the prime rate set by the bank, but under no circumstances be less than 3.00% per annum. In addition, SFTIDMC shall comply with certain financial and negative covenants throughout the term of the agreement.

SFTIDMC has evaluated subsequent events through October 31, 2012, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**SAN FRANCISCO TOURISM IMPROVEMENT
DISTRICT MANAGEMENT CORPORATION**

FINANCIAL STATEMENTS AS OF
JUNE 30, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of San Francisco Tourism Improvement District Management Corporation (SFTIDMC), a California not-for-profit organization, as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the SFTIDMC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the SFTIDMC's 2010 financial statements and, in our report dated October 6, 2010, we expressed an unqualified opinion on the financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Tourism Improvement District Management Corporation as of June 30, 2011, and the changes in their net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Louie + Wong LLP

San Francisco, California
October 27, 2011

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2010)

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2011</u>	<u>2010</u>
CURRENT ASSETS:					
Cash	\$ 10,920,769	\$ -	\$ -	\$ 10,920,769	\$ 9,820,897
Accounts receivable	5,248,424	-	-	5,248,424	4,591,544
	<u>\$ 16,169,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,169,193</u>	<u>\$ 14,412,441</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:					
Accounts payable	\$ 1,560,508	\$ -	\$ -	\$ 1,560,508	\$ 1,516,586
Accrued liabilities	35,000	-	-	35,000	30,500
Total current liabilities	1,595,508	-	-	1,595,508	1,547,086

COMMITMENTS AND CONTINGENCIES

NET ASSETS	<u>14,573,685</u>	<u>-</u>	<u>-</u>	<u>14,573,685</u>	<u>12,865,355</u>
	<u>\$ 16,169,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,169,193</u>	<u>\$ 14,412,441</u>

The accompanying independent auditors' report and notes to financial statements
should be read in conjunction with this statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2011	2010
REVENUES:					
Tourism Improvement District	\$ 20,970,337	\$ -	\$ -	\$ 20,970,337	\$ 18,817,509
Other	38,748	-	-	38,748	62,840
Total revenues	21,009,085	-	-	21,009,085	18,880,349
EXPENSES:					
Program services	18,803,388	-	-	18,803,388	13,281,455
Management and general	497,367	-	-	497,367	486,300
Total expenses	19,300,755	-	-	19,300,755	13,767,755
CHANGE IN NET ASSETS	1,708,330	-	-	1,708,330	5,112,594
NET ASSETS - BEGINNING OF YEAR	12,865,355	-	-	12,865,355	7,752,761
NET ASSETS - END OF YEAR	<u>\$ 14,573,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,573,685</u>	<u>\$ 12,865,355</u>

The accompanying independent auditors' report and notes to financial statements
should be read in conjunction with this statement.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010)

	Program	Management	Total	
			2011	2010
Marketing and promotion	\$ 12,959,038	\$ -	\$ 12,959,038	\$ 11,530,000
Moscone Convention Center -				
Repairs and improvements	4,573,859	-	4,573,859	475,609
Sales incentive	1,270,491	-	1,270,491	1,275,276
Contractual services -				
Treasurer	-	309,603	309,603	309,603
SFCVB	-	88,432	88,432	63,820
Professional services	-	60,537	60,537	79,209
Insurance and taxes	-	2,928	2,928	3,683
Member meetings	-	6,330	6,330	2,797
Other	-	29,537	29,537	27,758
	<u>\$ 18,803,388</u>	<u>\$ 497,367</u>	<u>\$ 19,300,755</u>	<u>\$ 13,767,755</u>

The accompanying independent auditors' report and notes to consolidated financial statements should be read in conjunction with this statement.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,708,330	\$ 5,112,594
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Accounts receivable	(656,880)	3,568,440
Accounts payable	43,922	1,109,363
Accrued liabilities	4,500	30,500
	<u>(608,458)</u>	<u>4,708,303</u>
Total adjustments		
Net cash provided by operating activities	<u>1,099,872</u>	<u>9,820,897</u>
NET INCREASE IN CASH	1,099,872	9,820,897
CASH - BEGINNING OF YEAR	<u>9,820,897</u>	<u>-</u>
CASH - END OF YEAR	<u>\$ 10,920,769</u>	<u>\$ 9,820,897</u>

The accompanying independent auditors' report and notes to financial statements
should be read in conjunction with this statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. Summary of Significant Accounting Policies

General -- 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 pursuant to a management contract with the City and County of San Francisco (the City).

On December 16, 2008, the San Francisco Board of Supervisors approved the establishment of a business-based business improvement district to be known as the Tourism Improvement District (TID) and the assessment of fees on identified businesses within the TID (the "TID Assessment"). The TID Assessment was designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination in an increasingly competitive world, and to fund repairs and improvements to the Moscone Convention Center.

The annual assessments commenced on January 1, 2009, and will continue until December 31, 2023. During the first five years, tourist hotels in Zones 1 and 2 of the TID will be assessed 1.50% and 1.00% of gross revenues from tourist rooms, respectively. During years 6-15, the assessment rate will be 1.00% and 0.75% of gross revenues from tourist rooms in Zones 1 and 2, respectively.

The assessment will be collected by the City and remitted to SFTIDMC. The SFTIDMC will ensure that the assessments collected are used to benefit the assessed businesses by allocating them to the San Francisco Convention & Visitors Bureau (SFCVB) (also known as San Francisco Travel Association) to fund its marketing and promotional programs and by keeping San Francisco's convention facilities competitive with those of other major cities.

The SFCVB's marketing and promotional programs have been funded by SFTIDMC which commenced on July 1, 2009.

Basis of Accounting -- The accompanying financial statements are prepared on the accrual basis of accounting.

Cash -- Cash consists of cash in bank accounts.

Receivables -- The accounts receivable represents the assessments due from the City.

Revenues -- Actual revenues from assessments are recognized when the assessments from hotels become due and measurable.

Professional and Contractual Expenses -- Professional and contractual services are expensed as incurred.

Income Tax -- SFTIDMC has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(6) and the California Franchise Tax Board under Section 23701(e) of the California Revenue and Taxation Code. Accordingly, no provision for income tax has been made in the accompanying financial statements.

Concentration of Credit Risk -- Financial instruments, which potentially subject SFTIDMC to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. SFTIDMC periodically reviews its cash and investment policy which are based on management's expectations and estimates and believes that any potential accounting loss is minimal.

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. These estimates are based on historical experience and information that is available to management about current events and actions SFTIDMC may take in the future. Actual results could differ from those estimates.

Comparative Financial Statements -- The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SFTIDMC's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Subsequent Events -- SFTIDMC has evaluated subsequent events through October 27, 2011, the date the financial statements were available to be issued.

2. **Description of Net Assets**

Unrestricted -- This is used to account for unrestricted revenues received from assessments.

Temporarily Restricted -- This is used to account for revenues that are temporarily restricted for a specified purpose or are available to be used in later period. There were no temporarily restricted net assets as of June 30, 2011.

Permanently Restricted -- This is used to account for revenues that are permanently restricted as specified by the Board. There were no permanently restricted net assets as of June 30, 2011.

3. Related Party Transactions

SFTIDMC entered into agreements for professional and administrative services with SFCVB, whose members of the Board of Directors are also members of the Board of Directors of SFTIDMC.

Under the professional services agreement, SFCVB will provide marketing and promotional services consistent with the requirements of the management plan. SFCVB will be compensated based on its budget, as approved by SFTIDMC's Board of Directors, and consistent with the management plan. The agreement was effective for the period June 4, 2009 to June 30, 2010 and was automatically renewed for another year through June 30, 2011.

Under the administrative services agreement, SFCVB will provide the following services: (1) staff support for the operation of SFTIDMC, (2) the Chief Financial Officer (CFO) of SFCVB will serve as CFO of SFTIDMC and SFCVB staff will perform finance and accounting related functions, (3) SFCVB will be responsible for the tax related issues of SFTIDMC, (4) SFCVB 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) SFCVB will be responsible for developing an appropriate investment policy and program for SFTIDMC funds. SFCVB will be compensated based on hours worked by SFCVB employees.

SFTIDMC has a payable of \$12,659 to SFCVB for the operating expenses paid by SFCVB on behalf of SFTIDMC as of June 30, 2011.

4. Program Expenditures

As discussed in Note 1 to the financial statements, the TID Assessment is designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination and to fund repairs and improvements to the Moscone Convention Center. Funding for expenditures on these programs commenced on July 1, 2009.

Expenditures related to marketing and promotional programs of SFCVB amounted to \$12,959,038 and sales incentive granted to convention groups related to the rent of the Moscone Convention Center amounted to \$1,270,491 during the year ended June 30, 2011. Repairs and improvements to the Moscone Convention Center amounted to \$4,573,859 during the year ended June 30, 2011.

Sales incentive payable to the San Francisco Convention Facilities, an operating unit of the City & County of San Francisco, amounted to \$1,270,491 as of June 30, 2011.

5. 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 to 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. In exchange for the collection services, SFTIDMC agreed to pay the Treasurer a total of \$309,603 each year through June 30, 2010. In January 2011, both the Treasurer and

SFTIDMC agreed to extend the administration agreement through June 30, 2011 for the same amount of fees of \$309,603.

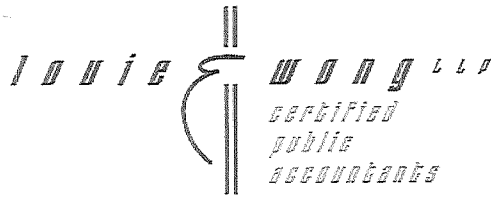
Both parties are negotiating a potential expansion of the scope of services to be provided by the Treasurer to SFTIDMC which, when approved, will become effective from July 1, 2011 through June 30, 2014.

**SAN FRANCISCO TOURISM IMPROVEMENT
DISTRICT MANAGEMENT CORPORATION**

FINANCIAL STATEMENTS AS OF
JUNE 30, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of San Francisco Tourism Improvement District Management Corporation (SFTIDMC), a California not-for-profit organization, as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the SFTIDMC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the SFTIDMC's 2009 financial statements and, in our report dated March 29, 2010, we were not able and we did not express an opinion on the financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Tourism Improvement District Management Corporation as of June 30, 2010, and the changes in their net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Louie + Wong LLP

San Francisco, California
October 6, 2010

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2009)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
CURRENT ASSETS:					
Cash	\$ 9,820,897	\$ -	\$ -	\$ 9,820,897	\$ -
Accounts receivable	4,591,544	-	-	4,591,544	8,159,984
	<u>\$ 14,412,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,412,441</u>	<u>\$ 8,159,984</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:					
Accounts payable	\$ 1,516,586	\$ -	\$ -	\$ 1,516,586	\$ 407,223
Accrued liabilities	30,500	-	-	30,500	-
Total current liabilities	1,547,086	-	-	1,547,086	407,223

COMMITMENTS AND CONTINGENCIES

NET ASSETS	12,865,355	-	-	12,865,355	7,752,761
	<u>\$ 14,412,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,412,441</u>	<u>\$ 8,159,984</u>

The accompanying independent auditors' report and notes to financial statements
should be read in conjunction with this statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE PERIOD JANUARY 1, 2009 TO JUNE 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
REVENUES	\$ 18,880,349	\$ -	\$ -	\$ 18,880,349	\$ 8,159,984
EXPENSES:					
Program services	13,281,455	-	-	13,281,455	-
Management and general	486,300	-	-	486,300	407,223
Total expenses	13,767,755	-	-	13,767,755	407,223
CHANGE IN NET ASSETS	5,112,594	-	-	5,112,594	7,752,761
NET ASSETS - BEGINNING OF PERIOD	7,752,761	-	-	7,752,761	-
NET ASSETS - END OF PERIOD	\$ 12,865,355	\$ -	\$ -	\$ 12,865,355	\$ 7,752,761

The accompanying independent auditors' report and notes to financial statements
should be read in conjunction with this statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

**(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE PERIOD JANUARY 1, 2009 TO JUNE 30, 2009)**

	Program Services	Management and General	Total	
			2010	2009
Marketing and promotion	\$ 11,530,000	\$ -	\$ 11,530,000	\$ -
Sales incentive fund	1,275,176	-	1,275,176	-
Professional services	475,973	78,945	554,918	220,409
Contractual services	-	373,423	373,423	179,656
Management information system	-	8,521	8,521	3,187
Insurance and taxes	-	3,683	3,683	-
Member meetings	-	2,797	2,797	3,971
Other	306	18,931	19,237	-
	<u>\$ 13,281,455</u>	<u>\$ 486,300</u>	<u>\$ 13,767,755</u>	<u>\$ 407,223</u>

The accompanying independent auditors' report and notes to consolidated financial statements
should be read in conjunction with this statement.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE PERIOD JANUARY 1, 2009 TO JUNE 30, 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,112,594	\$ 7,752,761
Changes in assets and liabilities -		
Accounts receivable	3,568,440	(8,159,984)
Accounts payable	1,109,363	407,223
Accrued liabilities	30,500	-
	<u>4,708,303</u>	<u>(7,752,761)</u>
Total adjustments		
Net cash provided by operating activities	<u>9,820,897</u>	<u>-</u>
NET CHANGE IN CASH	9,820,897	-
CASH - BEGINNING OF PERIOD	<u>-</u>	<u>-</u>
CASH - END OF PERIOD	<u>\$ 9,820,897</u>	<u>\$ -</u>

The accompanying independent auditors' report and notes to financial statements
should be read in conjunction with this statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1. Summary of Significant Accounting Policies

General -- 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 pursuant to a management contract with the City and County of San Francisco (the City).

On December 16, 2008, the San Francisco Board of Supervisors approved the establishment of a business-based business improvement district to be known as the Tourism Improvement District (TID). The TID assessment is designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination in an increasingly competitive world, and to fund much-needed repairs and improvements to the Moscone Convention Center.

The TID will assess each tourist hotel in San Francisco a percentage of gross revenues from tourist rooms. The assessment will be collected by the City and remitted to SFTIDMC. SFTIDMC will ensure that the funds are used to benefit the assessed businesses by allocating them to the San Francisco Convention & Visitors Bureau (SFCVB) programs and by keeping San Francisco's convention facilities competitive with those of other major cities. The annual assessments commenced on January 1, 2009 and will continue until December 31, 2023.

The SFCVB's marketing and promotional programs have been funded by SFTIDMC which commenced on July 1, 2009.

Basis of Accounting -- The accompanying financial statements are prepared on the accrual basis of accounting.

Basis of Presentation -- The Financial Accounting Standards Board (FASB) is the authoritative body for financial accounting and reporting in the United States. Effective for periods ending after September 15, 2009, the FASB Accounting Standards Codification became the single official source of authoritative accounting principles generally accepted in the United States for non-governmental entities. Accordingly, previous references to GAAP accounting standards are no longer used in the notes to the financial statements. SFTIDMC has applied this guidance in the preparation of SFTIDMC's financial statements as of June 30, 2010.

Cash -- Cash consists of cash in bank accounts.

Receivables -- The accounts receivable represents the assessments due from the City.

Revenues -- Actual revenues from assessments are recognized when the assessments from hotels become due and measurable.

Professional and Contractual Expenses -- Professional and contractual services are expensed as incurred.

Income Tax -- SFTIDMC has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(6) and the California Franchise Tax Board under Section 23701(e) of the California Revenue and Taxation Code. Accordingly, no provision for income tax has been made in the accompanying financial statements.

Concentration of Credit Risk -- Financial instruments, which potentially subject SFTIDMC to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. SFTIDMC periodically reviews its cash and investment policy which are based on management's expectations and estimates and believes that any potential accounting loss is minimal.

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. These estimates are based on historical experience and information that is available to management about current events and actions SFTIDMC may take in the future. Actual results could differ from those estimates.

Fair Value of Financial Instruments -- Financial instruments include receivables, payables and accrued liabilities. The carrying values of receivables, payables and accrued liabilities approximate fair value due to the short-term nature of these balances.

Comparative Financial Statements -- The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SFTIDMC's financial statements for the period ended June 30, 2009, from which the summarized information was derived.

Subsequent Events -- SFTIDMC has evaluated subsequent events through October 6, 2010, the date the financial statements were available to be issued.

New Accounting Pronouncement -- In January, 2010, the Financial Accounting Standards Board (FASB) issued authoritative guidance intended to improve disclosures about fair value measurements. The guidance requires entities to disclose significant transfers in and out of fair value hierarchy levels and the reasons for the transfers and to present information about purchases, sales, issuances and settlements separately in the reconciliation of fair value measurements using significant unobservable inputs, Level 3. Additionally, the guidance clarifies that a reporting entity should provide fair value measurements for each class of assets and liabilities and disclose the inputs and valuation techniques used for fair value measurements using significant other observable inputs, Level 2, and significant unobservable inputs, Level 3. This guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the Level 3 reconciliation, which will be effective for interim and annual periods beginning after December 15, 2010. As this guidance provides only disclosure requirements, the adoption of this guidance will not impact SFTIDMC's statement of financial position or statement of activities.

2. Description of Net Assets

Unrestricted -- This is used to account for unrestricted revenues received from assessments.

Temporarily Restricted -- This is used to account for revenues that are temporarily restricted for a specified purpose or are available to be used in later period. There were no temporarily restricted net assets as of June 30, 2010.

Permanently Restricted -- This is used to account for revenues that are permanently restricted as specified by the Board. There were no permanently restricted net assets as of June 30, 2010.

3. Related Party Transactions

SFTIDMC entered into agreements for professional services and administrative services with the San Francisco Convention & Visitors Bureau (SFCVB), whose members of the Board of Directors are also members of the Board of Directors of SFTIDMC.

Under the professional services agreement, SFCVB will provide marketing and promotional services consistent with the requirements of the management plan. SFCVB will be compensated based on its budget, as approved by SFTIDMC's Board of Directors, and consistent with the management plan. The agreement was effective for the period June 4, 2009 to June 30, 2010 and will automatically renew for another year. The professional services commenced on July 1, 2009.

Under the administrative services agreement, SFCVB will provide the following services: (1) staff support for the operation of SFTIDMC, (2) the Chief Financial Officer (CFO) of SFCVB will also serve as CFO of SFTIDMC and SFCVB's staff will perform finance and accounting related functions, (3) SFCVB will also be responsible for the tax related issues of SFTIDMC, (4) SFCVB 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) SFCVB will be responsible for developing an appropriate investment policy and program for SFTIDMC's funds. SFCVB will be compensated based on hours worked by SFCVB's employees. The agreement was effective for the period May 28, 2009 to June 30, 2010 and will automatically renew for another year. The administrative services commenced on July 1, 2009.

As of June 30, 2010, SFTIDMC has a payable of \$33,683 to SFCVB for operating expenses paid by SFCVB on behalf of SFTIDMC.

4. Program Expenditures

As discussed in Note 1 to the financial statements, the TID assessment is designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination and to fund much-needed repairs and improvements to the Moscone Convention Center. Funding for expenditures on these programs commenced on July 1, 2009.

Expenditures related to marketing and promotional programs of SFCVB amounted to \$11,530,000 and sales incentive granted to convention groups related to the rent of the Moscone Convention Center amounted to \$1,275,276 during the fiscal year ended June 30, 2010. Repairs and building improvements to the Moscone Convention Center amounted to \$475,973 during the fiscal year ended June 30, 2010.

Sales incentive payable to the San Francisco Convention Facilities, an operating unit of the City & County of San Francisco, amounted to \$1,275,276 as of June 30, 2010.

5. Commitments

SFTIDMC entered into a Collection Agreement with the Office of the Treasurer and Tax Collector for the City and County of San Francisco (the Treasurer) effective for the period July 23, 2009 to June 30, 2010. Under the Collection Agreement, the Treasurer will provide the following services: (a) the Treasurer will collect assessments in accordance to the management plan, (b) the Treasurer will provide quarterly reports indicating the amount of penalties, fees, assessment and interest collected, and (c) the Treasurer will provide a list of delinquent accounts on a quarterly basis.

SFTIDMC paid \$309,603 in exchange for the collection services during the year ended June 30, 2010.

BOARD of SUPERVISORS



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MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller
Todd Rufo, Director, Office of Economic and Workforce Development

FROM: Erica Major, Assistant Clerk, Government Audit and Oversight Committee,
Board of Supervisors

DATE: May 24, 2017

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Mayor Lee on May 16, 2017:

File No. 170601

Resolution receiving and approving annual reports for the Tourism Improvement District for FYs 2009-2016, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.


If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Office of the Controller
Ken Rich, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee 
RE: Tourism Improvement District – Annual Reports to the City – FYs 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, 2014-2015, and 2015-2016
DATE: May 16, 2017

Attached for introduction to the Board of Supervisors is a resolution receiving and approving annual reports for the Tourism Improvement District for FYs 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, 2014-2015, and 2015-2016, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, *et seq.*), Section 36650, and the District's management agreement with the City, Section 3.4.

I respectfully request this item be heard in Government Audit & Oversight Committee on June 7, 2017.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

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