

DOWNTOWN ASSOCIATION OF FRESNO

FINANCIAL REPORT

DECEMBER 31, 2023

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ACCOUNTANCY CORPORATION

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Downtown Association of Fresno
Fresno, California

We have reviewed the accompanying financial statements of the Downtown Association of Fresno (the "Association") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023, and 2022, and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

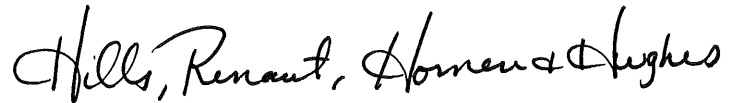
We are required to be independent of Downtown Association of Fresno and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

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

Supplemental Information

The supplemental information included in the Schedule of Program Services Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and, do not express an opinion on such information.



Hills, Renault, Homen & Hughes
Fresno, California
February 19, 2024

**DOWNTOWN ASSOCIATION OF FRESNO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 871,746	\$ 1,234,057
Accounts receivable	19,901	10
Prepaid expenses	13,993	400
Total current assets	<u>905,640</u>	<u>1,234,467</u>
RIGHT-OF-USE ASSETS - OPERATING LEASES, NET OF ACCUMULATED AMORTIZATION - see Note 6	190,584	17,616
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION - see Note 2	17,811	19,745
RENT DEPOSIT - see Note 6	3,009	0
OTHER ASSETS, NET OF ACCUMULATED AMORTIZATION - see Note 3	<u>106,326</u>	<u>118,820</u>
	<u>\$ 1,223,370</u>	<u>\$ 1,390,648</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,087	\$ 24,194
Current portion of operating leases liabilities - see Note 6	28,360	13,375
Accrued expenses	55,680	18,420
Deferred grant revenue - see Note 7	12,333	0
Total current liabilities	<u>97,460</u>	<u>55,989</u>
OPERATING LEASES LIABILITIES - NON-CURRENT - see Note 6	<u>164,150</u>	<u>4,241</u>
Total liabilities	261,610	60,230
NET ASSETS:		
Without donor restrictions - see Note 5	<u>961,760</u>	<u>1,330,418</u>
Total net assets	<u>961,760</u>	<u>1,330,418</u>
	<u>\$ 1,223,370</u>	<u>\$ 1,390,648</u>

See Independent Accountants' Review Report.

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

**DOWNTOWN ASSOCIATION OF FRESNO
STATEMENTS OF ACTIVITIES AND NET ASSETS
YEARS ENDED DECEMBER 31**

	<u>2023</u>	<u>2022</u>
REVENUES:		
Property-based Business Improvement District revenue	\$ 341,738	\$ 1,303,200
Special events revenue	143,448	30,539
Grant revenue - see Note 7	24,667	0
Interest income	1,155	1,058
Other income	<u>4,806</u>	<u>0</u>
Total revenue	515,814	1,334,797
EXPENSES:		
Program services	718,991	630,179
Management and general	<u>165,481</u>	<u>94,330</u>
Total expenses	<u>884,472</u>	<u>724,509</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(368,658)	610,288
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING	<u>1,330,418</u>	<u>720,130</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, ENDING	<u>\$ 961,760</u>	<u>\$ 1,330,418</u>

See Independent Accountants' Review Report.
The accompanying notes are an integral part of the financial statements.

**DOWNTOWN ASSOCIATION OF FRESNO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Functional Expenses</u>
Employee compensation			
Salaries	\$ 300,250	\$ 117,776	\$ 418,026
Employee benefits	30,751	7,688	38,439
Payroll taxes	26,843	6,711	33,554
Total employee compensation	<u>357,844</u>	<u>132,175</u>	<u>490,019</u>
Other expenses			
Advertising and promotion	56,968	0	56,968
Bank charges	466	117	583
Board and committee meetings	2,362	590	2,952
Conferences and seminars	1,792	448	2,240
Dues and subscriptions	4,623	0	4,623
Entertainment	14,411	0	14,411
Garbage disposal	6,297	0	6,297
Information technology	16,313	4,078	20,391
Inspections and permits	3,947	0	3,947
Insurance	10,294	2,574	12,868
Licenses and permits	907	227	1,134
Miscellaneous	1,526	0	1,526
Office expenses	6,458	1,614	8,072
Operating leases expense	31,673	7,918	39,591
Outside services	1,364	0	1,364
Payroll service charges	1,717	429	2,146
Postage and shipping	169	42	211
Printing and publications	2,414	604	3,018
Professional fees	24,831	6,208	31,039
Recruitment	2,281	569	2,850
Rental of equipment	965	0	965
Repairs and maintenance	2,000	0	2,000
Security	98,255	0	98,255
Software and internet	8,058	2,014	10,072
Sponsorships	3,250	0	3,250
Supplies and equipment	34,313	0	34,313
Telephone	5,274	1,318	6,592
Travel	4,286	1,072	5,358
Total other expenses	<u>347,214</u>	<u>29,822</u>	<u>377,036</u>
Expenses before amortization and depreciation	705,058	161,997	867,055
Amortization expense	9,995	2,499	12,494
Depreciation expense	3,938	985	4,923
Total functional expenses	<u>\$ 718,991</u>	<u>\$ 165,481</u>	<u>\$ 884,472</u>

See Independent Accountants' Review Report.

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

**DOWNTOWN ASSOCIATION OF FRESNO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Functional Expenses</u>
Employee compensation			
Salaries	\$ 241,841	\$ 60,461	\$ 302,302
Employee benefits	17,363	4,341	21,704
Payroll taxes	21,523	5,381	26,904
Total employee compensation	<u>280,727</u>	<u>70,183</u>	<u>350,910</u>
Other expenses			
Advertising and promotion	93,895	0	93,895
Bank charges	178	44	222
Board and committee meetings	165	41	206
Conferences and seminars	708	177	885
Dues and subscriptions	1,157	0	1,157
Entertainment	17,650	0	17,650
Garbage disposal	12,554	0	12,554
Information technology	11,010	2,753	13,763
Inspections and permits	4,532	0	4,532
Insurance	13,379	3,345	16,724
Licenses and permits	358	89	447
Miscellaneous	63	0	63
Office expenses	1,657	414	2,071
Operating leases expense	29,290	7,323	36,613
Outside Services	1,955	0	1,955
Payroll service charges	811	203	1,014
Postage and shipping	78	20	98
Printing and publications	1,024	256	1,280
Professional fees	14,871	3,718	18,589
Recruitment	667	166	833
Rental of equipment	0	0	0
Repairs and maintenance	1,167	0	1,167
Security	94,142	0	94,142
Software and internet	10,231	2,558	12,789
Sponsorships	0	0	0
Supplies and equipment	25,753	0	25,753
Telephone	5,515	1,379	6,894
Travel	1,414	354	1,768
Total other expenses	<u>344,224</u>	<u>22,840</u>	<u>367,064</u>
Expenses before amortization and depreciation	624,951	93,023	717,974
Amortization expense	772	193	965
Depreciation expense	4,456	1,114	5,570
Total functional expenses	<u>\$ 630,179</u>	<u>\$ 94,330</u>	<u>\$ 724,509</u>

See Independent Accountants' Review Report.

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

**DOWNTOWN ASSOCIATION OF FRESNO
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (368,658)	\$ 610,288
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net amortization, operating leases	1,926	0
Amortization, other assets	12,494	965
Depreciation	4,923	5,570
(Increase) decrease in:		
Accounts receivable	(19,891)	355
Prepaid expenses	(13,593)	1,766
Rent deposit	(3,009)	0
Increase (decrease) in:		
Accounts payable	(23,107)	7,092
Accrued expenses	37,260	(16,507)
Deferred grant revenue	12,333	0
Net cash provided (used) by operating activities	<u>(359,322)</u>	<u>609,529</u>
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchases of property and equipment	(2,989)	0
Purchases of other assets	<u>0</u>	<u>(20,579)</u>
Net cash provided (used) by investing activity	<u>(2,989)</u>	<u>(20,579)</u>
NET INCREASE (DECREASE) IN CASH	(362,311)	588,950
CASH AT BEGINNING OF YEAR	<u>1,234,057</u>	<u>645,107</u>
CASH AT END OF YEAR	<u>\$ 871,746</u>	<u>\$ 1,234,057</u>

See Independent Accountants' Review Report.
The accompanying notes are an integral part of the financial statements.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The Downtown Association of Fresno (the “Association”) was created in 1955 to enhance the vitality of downtown by improving, promoting and developing the historic Central Business District (the “District”). Beginning January 1, 2011, a Property-based Business Improvement District (PBID) was instituted. A PBID is a property and business owner collaborative forming a partnership between the public and private sector organized for the improvement of a specific commercial area. All funds raised are returned to the private nonprofit corporation governing the District, which is responsible for managing the District and delivering District services. Downtown Fresno Partnership serves the City of Fresno, the business community, Fulton Street and other downtown merchants, public and private agencies, and the community at large through leadership, partnership and advocacy. The PBID was renewed in July 2022 for another 10 years beginning January 1, 2023 until December 31, 2032.

Management has evaluated subsequent events through February 19, 2024, the date at which the financial statements were available to be issued. There was one significant subsequent event discovered by management. See Note 8.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States, which requires the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets with Donor Restrictions – The part of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Net Assets without Donor Restrictions – The part of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and the board of directors.

Board-Designated Net Assets – The part of net assets without donor restrictions that are subject to self-imposed limits by action of the Association’s Board of Directors. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

See Independent Accountants’ Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Assets, liabilities, income and expenses are recognized on the accrual basis of accounting for financial statement purposes and, accordingly, reflect all significant receivables, payables and other liabilities, except for PBID revenue.

Revenue Recognition

PBID revenue is recorded on the cash basis method of accounting whereby revenue is recorded when the cash is received from the City of Fresno. There is no accurate method to determine the amount or timing of unpaid additional PBID revenue at each year end. Since the Association prepares a cash basis budget each year using the PBID cash received to estimate the annual cash expenses to be paid, this method is the most reasonable method available. The City of Fresno disbursed \$507,100 to the Association in 2022 that should have been disbursed in 2023. This revenue is cash basis, but it is worth noting that the change in net assets without donor restrictions on the Statements of Activities and Net Assets would have been \$138,442 and \$103,188 for year end 2023 and 2022, respectively, if the payment had been made in the accurate year.

Grant revenue is derived from a fiscal sponsorship agreement contract where payment is received on a quarterly basis. See Note 7.

Contingencies

The Association participates in one grant. Disbursement of funds received under this grant requires compliance with terms and conditions specified in the grant agreement and is subject to oversight. See Note 7.

Concentration of Credit Risk

The Association maintains cash balances which can be in excess of the \$250,000 amount insured by the Federal Deposit Insurance Corporation. Management does not consider there is a significant risk, since there have not been any losses experienced in dealing with the financial institution. The Association has a balance of \$119,223 and \$733,647 in excess of the \$250,000 limit for 2023 and 2022, respectively. The decrease in the balance over the limit in 2023 compared to 2022 is due to the Association diversifying its cash holdings from two institutions to three institutions in 2023.

Accounts Receivable

Accounts receivable are stated at their net realizable value and are deemed fully collectible. Bad debts have been infrequent and, accordingly, the Association does not provide a reserve for bad debts. Instead, the Association records such losses as they occur.

See Independent Accountants' Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property and Equipment

Property and equipment are recorded at cost at the date of purchase less accumulated depreciation. Improvements that extend an asset's life or increases an asset's value are capitalized. Repairs and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method over the useful lives of 5 years for office furniture and equipment and 10 years for event assets.

Other Assets

Other assets consist of an external website, a firewall and PBID renewal fees.

The external website was developed over the course of 2018 and 2019. The website went live in January 2019. Amortization is computed using the straight-line method over the useful life of 3 years for website development costs.

The firewall was purchased in January 2022 and will be amortized using the straight-line method over the useful life of 3 years for software.

As mentioned at the start of this note, the Association is the designated owners' association for the Downtown Fresno PBID. The prior PBID was set to expire on January 1, 2023, but the PBID was renewed in July 2022 for a period of 10 years from January 1, 2023, through December 31, 2032. The Association entered into an agreement with a consulting company for assistance with the renewal process. The agreement called for fees and costs estimated at \$70,000 to be paid over a 12-month period from when the agreement was signed in mid-2020. The renewal process took longer than anticipated and cost more than originally planned. See Note 3 for renewal fees. The total amounts paid for the renewal will be amortized using the straight-line method over the 10 years that the renewed PBID covers starting in 2023. In the meantime, the amounts will be classified as other assets.

Income Taxes

The Association is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The income tax returns for the three prior years for federal and the four prior years for state income tax purposes are subject to examination by appropriate tax authorities. Interest and penalties, if imposed from tax positions, are recognized in the financial statements as general and administrative expenses.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Certain categories of expenses that are attributable to both program and management and general expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimated time and effort.

See Independent Accountants' Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

New Accounting Standard

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASU's, which amend and clarify Topic 842: ASU 2018-10, *Codification Improvements to Topic 82, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Association elected to adopt these ASUs effective January 1, 2022, and utilized all of the available practical expedients. The adoption had a material impact on the Association's balance sheet but did not have a material impact on the income statement. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Association to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets of \$52,887, an increase in operating lease liabilities of \$17,558, and an increase in other current liabilities of \$35,329. See Note 6.

Change in Accounting Principle

The Association adopted FASB Topic 842, *Leases*, using the effective date method approach with January 1, 2022, as the date of initial adoption. The Association elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Association to carry forward the historical lease classification. In addition, the Association elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases.

See Independent Accountants' Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Leases

The Association leases a building and equipment. The determination of whether an arrangement is a lease is made at the lease’s inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating right-of-use (“ROU”) assets, other current liabilities, and operating lease liabilities in the balance sheet. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in the balance sheet.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease effective date based on the present value of lease payments over the lease term. The lease assets and liabilities were calculated utilizing the risk-free discount rates (4%), according to the Association’s elected policy. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. See Note 6.

2. PROPERTY AND EQUIPMENT:

	2023	2022
Office furniture and equipment	\$ 8,233	\$ 10,744
Event assets	30,660	30,660
	38,893	41,404
Less accumulated depreciation	21,082	21,659
	\$ 17,811	\$ 19,745

There was depreciation expense of \$4,923 and \$5,570 for years ended December 31, 2023, and 2022, respectively.

See Independent Accountants’ Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
3. OTHER ASSETS:		
Website	\$ 13,343	\$ 13,343
Firewall	2,448	2,448
PBID renewal fees	<u>116,780</u>	<u>116,780</u>
	132,571	132,571
Less accumulated amortization	<u>26,245</u>	<u>13,751</u>
	<u>\$ 106,326</u>	<u>\$ 118,820</u>

There was amortization expense of \$12,494 and \$965 for years ended December 31, 2023, and 2022, respectively.

4. LIQUIDITY:

The Association's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, are as follows:

Cash	\$ 871,746	\$ 1,234,057
Accounts receivable	<u>19,901</u>	<u>10</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 891,647</u>	<u>\$ 1,234,067</u>

As part of its liquidity plan, excess cash is invested in short-term investments with a maturity of 120 days or less, including a money market account and a certificate of deposit.

See Independent Accountants' Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

5. NET ASSETS AND RESTRICTIONS:

The Association has no net assets with donor restrictions for 2023 and 2022. There was a grant received in 2023 (see Note 7), but it supports the Association’s purpose as described in Note 1 Nature Of Organization. As such, the related funds are not considered subject to restrictions.

Net assets without donor restrictions include board-designated net assets for the following purposes at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Computer workstation replacements	\$ 13,500	\$ 12,000
Capital projects	10,000	0
PBID renewal	25,000	0
Website update	<u>15,492</u>	<u>13,492</u>
Sub-total board-designated net assets	<u>63,992</u>	<u>25,492</u>
Not subject to any designation:		
General operations	<u>897,768</u>	<u>1,304,926</u>
Total net assets without donor restrictions	<u>\$ 961,760</u>	<u>\$ 1,330,418</u>

See Independent Accountants’ Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

6. LEASING ACTIVITIES:

The Association has two operating leases, including for office space in a building and for a copier.

The operating lease for the office space in a building started in May 2019 for a four-year period through April 2023. This lease calls for monthly rent of \$2,708 at the start of the lease term with escalations periodically, so that the monthly rent is \$2,874 in calendar year 2022 through the end of the lease term. The lease was extended until October 2023, at which time the Association acquired a new office space.

The operating lease for the new office space in a new building started in October 2023 through December 2029, a six-year period which includes a three-year option. The lease calls for monthly rent of \$2,720 at the start of the lease term with escalations periodically, so that the monthly rent is \$3,009 in calendar year 2026 through the end of the lease term. The new lease resulted in an increase in operating lease ROU assets of \$193,194, an increase in operating lease liabilities of \$168,431, and an increase in other current liabilities of \$24,763. The Association was required to pay last month’s rent for this lease at the start of the lease resulting in a rent deposit of \$3,009.

The operating lease for the copier started in February 2021 for a five-year period through February 2026. This lease calls for monthly rent of \$177 plus charges for the number of copies each month.

The following summarizes the line items in the balance sheet which includes amounts for the operating leases as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating Leases		
Right-of-use assets – operating leases	\$ 201,217	\$ 52,887
Accumulated amortization – operating leases	<u>(10,633)</u>	<u>(35,271)</u>
Right-of-use assets – operating leases, net of accumulated amortization	<u>\$ 190,584</u>	<u>\$ 17,616</u>
Current portion of operating lease liabilities	\$ 28,360	\$ 13,375
Operating lease liabilities – non-current	<u>164,150</u>	<u>4,241</u>
Total operating lease liabilities	<u>\$ 192,510</u>	<u>\$ 17,616</u>

See Independent Accountants’ Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

6. LEASING ACTIVITIES (CONTINUED):

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2023 and 2022:

Weighted Average Remaining Lease Term		
Operating leases	8.08 years	3.42 years
Weighted Average Discount Rate		
Operating leases	4.0%	4.0%

The following is a schedule of future maturities of lease liabilities as of December 31, 2023:

2024	\$	34,765
2025		36,397
2026		36,285
2027		36,108
2028		36,108
Thereafter		<u>36,108</u>
Total lease payments		215,771
Less: interest		<u>23,261</u>
Present value of lease liabilities	\$	<u><u>192,510</u></u>

The following summarizes the line items in the income statements which include the components of lease expenses for the year ended December 31, 2023 and 2022:

Operating leases expense included in Other Expenses	\$	<u>39,591</u>	\$	<u>36,613</u>
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The following summarizes cash flow information related to leases for the year ended December 31, 2023 and 2022:

Lease assets obtained in exchange for lease obligations:				
Operating leases	\$	<u>193,194</u>	\$	<u>52,887</u>

See Independent Accountants' Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

7. GRANT REVENUE:

The Association entered into a Fiscal Sponsorship Agreement on October 31, 2023, with the Downtown Fresno Foundation (the “Foundation”) whereby the Foundation agrees to receive tax-deductible charitable gifts, grants and contributions from third-party funders on behalf of the Association. Revenues received will be utilized to fund the purposes of the Association as described in Note 1 Nature of Organization. The first revenues under this agreement are from a grant agreement between The Kresge Foundation (“Kresge”) and the Foundation. The Kresge grant is in the amount of \$299,000 for the period of November 1, 2023 through October 31, 2025 unless terminated earlier for any reasons provided in the grant agreement, including if Kresge is not reasonably satisfied with the Association’s progress, significant changes to the Association’s leadership, control or tax status or the Association fails to comply with the agreement. The Association is subject to oversight by both the Foundation and Kresge with an interim report due to Kresge on September 30, 2024 and final report due on November 30, 2025. The Foundation will charge a \$3,000 administrative fee to defray its costs to be withheld from Kresge distributions for a net of \$296,000 due to the Association over the grant term. The distribution will be paid quarterly with quarters from November 1 to January 31, February 1 to April 30, May 1 to July 31 and August 1 to October 31. The quarterly payments to the Foundation will be \$37,375 with \$37,000 to the Association after the \$375 administrative fee. The Association received the first quarterly payment of \$37,000 in December 2023, which resulted in one month of deferred revenue of \$12,333 and recognized grant revenue of \$24,667 at year end December 31, 2023.

The following is a schedule of future revenues under the agreement as of December 31, 2023:

2024	\$ 148,000
2025	<u>123,333</u>
Total future payments	271,333
Plus: current year	<u>24,667</u>
Total	<u>\$ 296,000</u>

8. SUBSEQUENT EVENT:

In early 2024, the Association hired a consulting company to determine if they qualified for the Federal employee retention credits. The consulting company calculated \$116,000 of refunds that can be refunded to the Association which is taking anywhere from 6 to 9 months to receive. The Association paid the consulting company \$17,000 for determining their eligibility and calculating these refunds.

See Independent Accountants’ Review Report.

**DOWNTOWN ASSOCIATION OF FRESNO
SUPPLEMENTAL INFORMATION
PROGRAM SERVICES EXPENSES
YEARS ENDED DECEMBER 31**

	<u>2023</u>	<u>2022</u>
EXPENSES:		
Special events	\$ 282,589	\$ 201,544
Environmental enhancements	243,095	200,414
Marketing and business development	<u>193,307</u>	<u>228,221</u>
	<u>\$ 718,991</u>	<u>\$ 630,179</u>

See Independent Accountants' Review Report.