Proposal to Serve
San Diego Tourism Marketing District Corporation

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Submitted by:
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"Total Business Solutions to secure your company's success in a rapidly changing world"
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I. Company Profile and Qualifications

Over the last few decades, Robert R. Redwitz & Co. has developed a strong base of non-profit entity clients. Robert R. Redwitz & Co. understands the nonprofit industry well and the multiple problems and opportunities facing these entities. We have an excellent knowledge of fund accounting, financial statement presentation and the disclosures required under this method of accounting. Robert R. Redwitz & Co. works closely with its clients to obtain and maintain nonprofit status within the complex constraints or the Internal Revenue Code.

Our services with non-profit organizations range from traditional independent audit and tax work to outsourced CFO/accounting services. The non-profit organization clients we have served in San Diego include San Diego Tourism Marketing District Corporation, San Diego Theatres, Inc., Associated Builders and Contractors of California Cooperation Committee, Inc. (dba California Construction Compliance Group), San Diego Sports Commission, San Diego Hall of Champions, Inc., San Diego International Sports Foundation, San Diego Hall of Champions Foundation, and California State Games, Inc., etc.

Especially, we have a strong working relationship with San Diego Tourism Marketing District Corporation (SDTMD Corp.) We performed the first financial statement audit for SDTMD Corp. at June 30, 2009 and from its inception date April 1, 2008, and for fiscal year thereafter through June 30, 2012. We are currently engaged to audit the SDTMD Corp. financial statements at June 30, 2013 and for the fiscal year then ended, as well as the comparative statements at June 30, 2014 and the fiscal year then ending. We further performed Agreed Upon Procedures applied to Annual Return On Investment (ROI) calculations reported by contractors for the fiscal years ended June 30, 2009, 2010, 2011, and 2012, and the short period ended March 31, 2012. We were further engaged to perform agreed upon procedures applied to allocated costs submitted for SDTMD Corp. reimbursement for the fiscal year ended June 30, 2009.

Our direct experience with the SDTMD Corp. has positioned us to provide consultative services to its management in the following areas:

1. Establishment of control procedures under the new SDTMD Corp. contract over collections of TMD assessments by the City of San Diego and interest income earned thereon.
2. Documentation to provide the Board with a basis for either eliminating funding for non-productive contractors or consolidating their activities with other contractors.
3. Documentation to support the Board’s establishment of standardized cost allocation procedures by contractors for costs submitted for SDTMD Corp. reimbursement.
4. Development of standardized criteria for measuring definite and estimated incremental room nights to increase the objectivity and measurability of recipient ROIs under the initial SDTMD Corp. five-year contract, including the use of statistically valid intercept sampling for local events, etc.
5. Assessing the impact of California Proposition 26 in terms of testing/verifying the relationship of TMD properties being assessed with the benefits received.

With this extensive background with SDTMD Corp., its newly extended procedural ordinance District Management Plan, and its understanding of Proposition 26, Robert R. Redwitz & Co. is well-qualified to continue providing high quality services throughout the duration of the new operating agreement period from April 1, 2013 through June 30, 2018. Specifically, Redwitz has the insight to transition from the agreed upon procedures applied to ROI performed under the initial contract, to the agreed upon procedures applied to benefits received to determine compliance with Proposition 26 required under the new contract.

There are 7 professional staff members and 2 administrative team members in our La Jolla, CA office, which will be responsible for providing the services proposed herein.
Doug Clevenger, CPA, CFP, CCIFP, is the Regional Managing Principal in our La Jolla office and will be in charge of overseeing your financial statement audit and agreed upon procedures applied to benefits received, just as he has overseen all services provided to SDTMD Corp. from its inception. He has over 31 years of experience as a Certified Public Accountant, offering accounting, audit and tax consultation, planning and compliance services to individuals, non-public businesses, and nonprofit organizations.

II. Specific Audit Approach and Professional Fees

Our Audit Approach and Professional Fees consist of two independent components: 1) The Financial Statement Audits and 2) Agreed Upon Procedures Applied to Benefits Received.

A. FINANCIAL STATEMENT AUDITS

At Robert R. Redwitz & Co., we believe that the assurance process should be timely and should have a minimal impact on your daily operations.

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information when considered in relation to the financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards and will include tests of accounting records and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Specific Audit Approach

Our audit approach begins with an entrance conference between members of the Redwitz audit team and management to gather information for risk assessment and audit planning. Upon the conclusion of the entrance conference, we will plan and schedule Redwitz's three phase audit approach and prepare a list of items to be provided for Phase I of the audit. Significant aspects of each phase under different audit services we propose to provide to you are outlined as follows:
Phase I - Planning and Risk Assessment
This phase is designed to evaluate your operating and accounting procedures and will provide the basis for a significant portion of our letter to management. The results of our work during this phase will determine our audit approach for significant accounts and compliance.

At the conclusion of this phase, we intend to provide SDTMD Corp. with a list detailing the information that will be needed in order to facilitate the completion of the audit in a timely manner. Having all items on the list are available prior to the beginning of Phase II will allow us to complete the audit within the allotted time frame.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. We plan the audit and obtain our understanding of the internal control structure, control environment, and accounting system through:

- Inquiries of appropriate management and staff personnel.
- Inspection of SDTMD Corp.'s documents, records, budget and related materials, organizational charts, manuals and programs.
- Observation of SDTMD Corp.'s activities and operations to corroborate the results of inquiries.
- Testing of the controls to determine they are operating as planned.
- Performance of preliminary analytical review on financials to obtain knowledge of conditions and events. The analytical review entails comparing similar information for the same time frame from the prior year and also comparing current year-to-date information to the budget to determine areas that may need additional attention during Phase II.
- Review and evaluation of SDTMD Corp.'s financial and other management information system controls and procedures.

Phase II - Substantive Audit Procedures and Compliance
This phase is designed to complete our substantive and compliance audit procedures on the accounts of SDTMD Corp. The approach for Phase II will be based on the results of Phase I. Audit programs will be tailored for your SDTMD Corp.'s needs. This work will begin after the closing of your books.

We use audit programs to assist in our risk determination and sampling selection. With sample selections, we will perform examination of documentary evidence supporting the transactions recorded in the accounts as well as tests of compliance with the operating agreement with the City of San Diego. In addition, we will use direct confirmation of receivables and certain assets and liabilities by correspondence with selected funding sources (e.g. City of San Diego), TMD funded contractors, and financial institutions.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of SDTMD Corp.’s compliance with applicable laws and regulations and the terms and conditions as set forth in the contracts and agreements with the City of San Diego, including grant agreements. Laws and regulations subject to audit will be determined based on inquiry and familiarity we gain with SDTMD.

Phase III - Financial Statement Preparation and Review
This phase consists of preparing or assisting with the preparation of your financial statements, in conformity with accounting principles generally accepted in the United States of America. We will also
prepare all other financial and compliance reports required of us as listed on the RFP. The required reports and management letter will be submitted to management unless otherwise agreed. We will also ensure that new accounting principles have been appropriately accounted for and disclosed in the financial statements and that the impact of these statements is sufficiently presented in our audit reports.

B. SDTMD AGREED UPON PROCEDURES APPLIED TO BENEFITS RECEIVED

Phase I – Planning
At this phase we will consult with you to develop and agree upon procedures and methodology to apply to TMD contractors/funding recipients to determine the scope of benefits received from such funding. These procedures are anticipated to be streamlined, targeted and the findings well-documented and objective. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We intend to provide SDTMD Corp. and the TMD funded recipients with a list detailing the information that will be needed in order to facilitate the completion of the benefit audits in a timely manner.

Phase II - Substantive Audit Procedures
This phase is designed to complete our substantive audit procedures based on the agreed-upon procedures and methodology that have been developed in Phase I. In contrast to past agreed upon procedures reports which focused primarily on contractor/funding recipients’ report ROI based on incremental room nights, going forward the focus will be primarily on tracking the benefit received as a result of TMD funding and determining whether the funding benefits only TMD assessable properties. Further, these benefits will be tracked in two categories:

1. Category A: All lodging businesses in the SDTMD with thirty or more rooms-assessed at 1.45% of assessable rent
2. Category B: All lodging businesses in the SDTMD, regardless of size-assessed at .55% of assessable rent

We will begin with a list of all assessed properties within the TMD and apply specific procedures designed to determine whether the benefits of TMD funding are traceable exclusively to TMD assessable properties. This is the heart of compliance with California Proposition 26. Specific procedures applied to TMD contractors/funding recipients will include but not be limited to:

1. A review of lists of lead production to determine whether leads are generated only for TMD assessable properties
2. Review of web-sites to see determine whether only TMD assessable properties are linked
3. A review of group sales booking slips to determine that only TMD assessable properties are included
4. Review direct costs and allocable indirect costs submitted for TMD reimbursement to determine that only costs associated with activities benefiting TMD assessable properties have been reimbursed.
5. Other procedures to which Redwitz and SDTMD Corp. may agree.

Phase III – Annual Report of Results and Review
After performing all the agreed-upon procedures in Phase II, we will prepare a report listing the procedures performed and our findings. The required reports will be submitted to management unless otherwise agreed. The report on the agreed-upon procedures is intended solely for the information and use of SDTMD Corp. and its board of directors and is not intended to be and should not be used by anyone other than those specified parties.
Professional Fees

Our fee quote addresses the two independent components of the services we propose to provide:

A. AUDIT OF FINANCIAL STATEMENTS
We estimate our fee for the performance of the audit of the SDTMD Corp. financial statements at June 30, 2014 and for the year then ended (to be performed concurrently with the previously contracted audit of financial statements at June 30, 2013 and for the year then ended) to be $15,000, less a discount of $1,500, for a net fee of $13,500. For each successive fiscal year through June 30, 2018, we estimate that our net fees for the annual audit will not increase more than 10% annually.

These fees are estimated with the understanding that your personnel will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing. These are not to exceed estimated fees. Should our actual time charges for these services be less than the proposed fees, we will bill you the lower amount.

Should extraordinary circumstances arise which require significant services beyond the scope comprehended herein in order to support an opinion regarding your financial statements, we will discuss these circumstances with you prior to performing the extraordinary services, provide you with an estimate of the costs of these services, and obtain your advanced approval of our estimate.

Additional meetings or consultations requested by SDTMD Corp. beyond the presentation of the audit in a public Board meeting will be billed at our standard hourly rates.

B. AGREED UPON PROCEDURES APPLIED TO BENEFIT RECIPIENTS

Net fees for the most recently performed agreed upon procedures applied to ROI calculations for the fiscal year ended June 30, 2013 ranged from $16,800 for the San Diego Tourism Authority to $1,600 for San Diego Bayfair. Because the new agreed upon procedures applied to benefit recipients are expected to be more streamlined, targeted, and documented with objectively verifiable data, net fees associated with such procedures are expected to range between $9,500 and $1,000 per recipient for fiscal year ended June 30, 2014, depending on the amount of funding each recipient receives. We would estimate that net fees for each successive fiscal year end through June 30, 2018 would not increase more than 10% annually. This fee estimate assumes there will be no agreed upon procedures applied to benefit recipients for fiscal year ended June 30, 2014 because there was little to no funding of recipients for that period.

These fees are not to exceed estimated fees. Should our actual time charges for these services be less than the proposed fees, we will bill you the lower amount.

Should extraordinary circumstances arise which require significant services beyond the scope comprehended herein in order to support our findings regarding the agreed upon procedures applied to benefit recipients, we will discuss these circumstances with you prior to performing the extraordinary services, provide you with an estimate of the costs of these services, and obtain your advanced approval of our estimate.

Additional meetings or consultations requested by SDTMD Corp. beyond the presentation of our findings in a public Board meeting will be billed at our standard hourly rates.

In the interest of brevity, our firm’s most recent peer review report has been omitted. It is available upon request.