

**EAST VILLAGE ASSOCIATION, INC.**

Financial Statements  
For The Fiscal Year Ended June 30, 2023 & 2022  
Independent Auditors' Report

**EAST VILLAGE ASSOCIATION, INC.**  
June 30, 2023 & 2022

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**Guerrero, Jimenez, Diaz  
& Co. LLP**

A Certified Public Accounting Firm

## **INDEPENDENT AUDITORS' REPORT**

To Board of Directors  
East Village Association, Inc.  
San Diego, California

### **Opinion**

We have audited the accompanying financial statements of East Village Association, Inc. (a Non-Profit Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Village Association, Inc. of June 30, 2023, and the 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Village Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Village Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of East Village Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Village Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Other Matter**

The financial statements of East Village Association, Inc. for the year ended June 30, 2022, were audited by another auditor whose report dated October 21, 2022, and expressed an unmodified opinion on those audited financial statements. The summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Report on Other Information**

The accompanying Schedule of Functional Expenses on page 6 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information on page 6 has been subjected to the auditing procedures applied in the audit of the financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Guerrero, Jimenez, Diaz & Co. LLP*

Guerrero, Jimenez, Diaz & Co., LLP  
Certified Public Accountants  
Victor M. Diaz, CPA  
California License #86352  
San Diego, California  
March 4, 2024

**EAST VILLAGE ASSOCIATION, INC.**  
 Statements of Financial Position  
 June 30, 2023 & 2022

**ASSETS**

	2023	2022
<b>Current Assets</b>		
Cash in Banks	\$ 425,279	\$ 440,632
Accounts Receivable	10,000	28,551
Total Current Assets	435,279	469,183
Security Deposit	1,152	1,152
Total Other Assets	1,152	1,152
<b>Total Assets</b>	\$ 436,431	\$ 470,335

**LIABILITIES & NET ASSETS**

<b>Liabilities:</b>		
Accounts Payable	\$ 8,047	\$ 5,152
Accrued Vacation Payable	-	5,943
Total Liabilities	8,047	11,095
<b>Net Assets</b>		
Without donor restrictions	428,384	459,240
Total Net Assets	428,384	459,240
<b>Total Liabilities &amp; Net Assets</b>	\$ 436,431	\$ 470,335

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

**EAST VILLAGE ASSOCIATION, INC.**  
**Statements of Activities**  
For the Year Ended June 30, 2023 & 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
<b>Operating activities</b>				
Support and Revenue:				
B.I.D. Reimbursement	\$ 197,223	-	\$ 197,223	\$ 177,747
SBEP		26,022	26,022	18,219
Banner/Branding	10,000	-	10,000	
Special Events Income	82,708	-	82,708	80,611
Donations/Sponsorship	28,900	-	28,900	11,000
Grants		-	-	11,000
Net Assets Released from Restrictions	26,022	(26,022)	-	-
Community Parking District	388,893	-	388,893	206,373
Other Revenue	1,537	-	1,537	167
Total Revenues	<u>735,283</u>	<u>-</u>	<u>735,283</u>	<u>505,117</u>
Operating Expenses:				
Program Services	730,512	-	730,512	496,628
General & Management	35,627	-	35,627	35,258
Total Expenses	<u>766,139</u>	<u>-</u>	<u>766,139</u>	<u>531,886</u>
Increase/(Decrease) in Undesignated Net Assets	(30,856)	-	(30,856)	(26,769)
Net Assets, Beginning of Year	<u>459,240</u>	<u>-</u>	<u>459,240</u>	<u>486,009</u>
Net Assets, End of Year	<u>\$ 428,384</u>	<u>\$ -</u>	<u>\$ 428,384</u>	<u>\$ 459,240</u>

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

**EAST VILLAGE ASSOCIATION, INC.**  
Schedule of Functional Expenses  
For the Year Ended June 30, 2023 & 2022

	<b>Program Services</b>	<b>General &amp; Management</b>	<b>2023</b>	<b>2022</b>
<b>Expenses:</b>				
Accounting	\$ 9,447	\$ 4,653	\$ 14,100	\$ 21,475
Advertising/Promotions	149,534	-	149,534	188,998
Bank Fees	84	42	126	-
Contingency	22,223	-	22,223	-
Designs	250,930	-	250,930	4,464
Dues & Subscriptions	929	457	1,386	-
Insurance	3,997	1,969	5,966	24,338
License & Fees	7,208	3,550	10,758	1,139
Miscellaneous	1,874	923	2,797	-
Postage	225	111	336	-
Printing	3,879	1,910	5,789	2,124
Professional fees	7,349	817	8,166	73
Rent	14,283	7,035	21,318	19,213
Salaries & Payroll Taxes	114,891	12,766	127,657	151,318
Special Projects/Events	140,826	-	140,826	115,782
Seminars/Training	-	-	-	2,000
Supplies	2,352	1,159	3,511	-
Telephone/Utilities	480	236	716	962
<b>Total Expenses</b>	<b>\$ 730,512</b>	<b>\$ 35,627</b>	<b>\$ 766,139</b>	<b>\$ 531,886</b>

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



**EAST VILLAGE ASSOCIATION, INC.**  
**Statements of Cash Flow**  
**For the Year Ended June 30, 2023 & 2022**

	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Increase/(Decrease) in Unrestricted Net Assets	\$ (30,856)	\$ (26,769)
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease/(Increase) in Accounts Receivable	18,551	271,511
Decrease/(Increase) in Other Assets		
Increase/(Decrease) in Accounts Payable	2,895	(6,185)
Increase/(Decrease) in Assessments Payable	-	(16,321)
Increase/(Decrease) in Vacation Payable	(5,943)	(2,063)
Total Adjustments	15,503	246,942
Net Cash Provided by Operating Activities	(15,353)	220,173
<b>Cash Flows from Investing Activities</b>	-	-
<b>Cash Flows from Financing Activities</b>	-	-
<b>Net Increase/(Decrease) in Cash</b>	(15,353)	220,173
<b>Cash at Beginning of Period</b>	440,632	220,459
<b>Cash at End of Period</b>	\$ 425,279	\$ 440,632

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

## EAST VILLAGE ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2023 & 2022

### NOTE 1- Summary of Significant Accounting Policies

#### Nature of Business

East Village Association, Inc. (the "Association") is a non-profit association incorporated in 2008 under the laws of the State of California. Its primary purposes are to be an advocate for business and promote a desirable destination to live, play, and work in the East Village area of San Diego.

#### Income tax status

The Association has been granted exemption from federal income tax under Section 501(c)3 of the Internal Revenue Code and the corresponding provision of section 23701(d) of the California Revenue and Taxation Code. The Association is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Association's tax-exempt purpose.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codifications No. 740-10, Accounting for Uncertainties in Income Tax, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Association's management has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosures.

#### Basis of Accounting

The financial statements of the Association are prepared on the accrual basis of accounting.

#### Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements, therefore, actual results could differ from these estimates.

#### Basis of Presentation

The financial statements of the Association have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Association to report information regarding its financial position and activities according for the following net asset classifications:

**Net assets without donor restrictions:** 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.

**Net assets with donor restrictions:** 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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activity.

#### Measure of Operations

The statement of activity reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

#### Revenue Recognition

East Village Association, Inc. is funded principally through the administration of contracts and grants with the City and County of San Diego (special assessment districts BID, SBEP, Parking, etc.). Additional funds are generated from special projects and special events.

#### Functional Allocation of Expenses

The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of programs or supporting service.

#### New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU amends the current nonprofit reporting model and enhances nonprofit Associations required disclosures. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly.

#### Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Association recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Association's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

The Association has evaluated subsequent events through January 9, 2024, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

## NOTE 2 – Cash in Banks

Cash in Banks are listed as follows:

	<u>2023</u>	<u>2022</u>
Operating Checking	\$ 222,985	\$ 74,569
Savings	882	366,063
Certificate of Deposits	<u>201,412</u>	<u>-</u>
Total	<u>\$ 425,279</u>	<u>\$ 440,632</u>

## NOTE 3 – Certificate of Deposits

As of June 30, 2023, the balances in the Certificate of Deposits accounts are:

	<u>2023</u>	<u>2022</u>
Certificate of Deposit#3532	\$ 100,714	\$ -
Certificate of Deposit#3433	<u>100,698</u>	<u>-</u>
Total	<u>\$ 201,412</u>	<u>\$ -</u>

Certificate of Deposit#3532 has an annual percentage yield (APY) of 4.35% and matures on March 3, 2024. Certificate of Deposite3433 has an APY of \$4.25% and matures on November 3, 2023.

## NOTE 4 – Accounts Receivable

The accounts receivable represents unpaid claims submitted to the City of San Diego and various customers for expenditures incurred through the fiscal year ended June 30, 2023 and 2022, listed as follows:

	<u>2023</u>	<u>2022</u>
ComicCon	\$10,000	\$ -
City of San Diego	<u>-</u>	<u>28,551</u>
Total	<u>\$10,000</u>	<u>\$ 28,551</u>

## NOTE 5 – Liquidity and Availability of Resources

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

Cash and cash equivalents	\$425,279
Accounts Receivable	<u>10,000</u>
Total financial assets available within one year	435,279

Less:  
Amounts unavailable for general expenditures  
within one year due to:

Restricted by donors with purpose restrictions	-
Amounts unavailable to management without Board of Directors approval:	-
Total financial assets available to management for General expenditure within one year	<u>\$435,279</u>

The Association maintains policies of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 6 – Net Assets without Donor Restrictions**

The Association has undesignated Net Assets without donor restrictions of \$428,384 at June 30, 2023.

**NOTE 7 – Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. During the fiscal year ended June 30, 2023, the net assets were released for the following purposes.

SBEP Management	\$18,200
SBEP Tech. Assistant	3,261
SBEP Bookkeeping	1,150
SBEP City Fees & Services	<u>3,411</u>
Total	<u>\$26,022</u>

**NOTE 8 – Lease Agreement**

On November 30, 2022 the Association entered into a renewal office lease contract with Regus Management Group, LLC (the landlord) for the monthly rent of \$2,060. The Association also rents a small storage unit at \$202 per month. Both leases are on a month-to-month basis.

**NOTE 9 – Pending Litigation**

On March 2, 2023, former employee Diane Peabody-Straw alleged that she was sexually harassed by a member of the Board of Directors and subsequently unlawfully terminated which on maternity leave. The initial pre-litigation demand of \$450,000. To date, litigation has not been filed. The parties have engaged in one pre-litigation mediation session in which the parties moved closer to an agreeable settlement amount but were unable to arrive at an amount that would resolve the matter. The insurance carrier had offered \$70,000, with Peabody-Straw continuing to demand a settlement in the \$300,000 range. The Association has denied Ms. Peabody-Straw's demand and management intends to vigorously defend this lawsuit. Resolution by way of settlement is likely between \$75,000 to \$300,000 range based on the parties' last offer at mediation. The Association's insurance carrier will cover all damages, from settlement as well as attorney fees relating to this ongoing litigation.