

EAST VILLAGE ASSOCIATION, INC.
Financial Statements
For The Year Ended June 30, 2016 and 2015
Independent Auditors' Report

EAST VILLAGE ASSOCIATION, INC.
Financial Statements
June 30, 2016 and 2015

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Independent Auditors' Report

To the Board of Directors
EAST VILLAGE ASSOCIATION, INC.

We have audited the accompanying financial statements of East Village Association, Inc. (a Non-Profit Organization), which comprise of the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 the entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of East Village Association, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements, the prior year summarized information was derived from East Village Association's financial statements and, in our report dated September 29, 2015, we expressed an unqualified opinion on those 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 information 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 States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Guerrero, Jimenez, Diaz, & Co., LLP
Certified Public Accountants

San Diego, California
October 11, 2016

EAST VILLAGE ASSOCIATION, INC.
Statement of Financial Position
For the Year Ended June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 472,596	412,927
Accounts Receivable	<u>59,685</u>	<u>21,498</u>
Total Current Assets	<u>532,281</u>	<u>434,425</u>
	<u>532,281</u>	<u>434,425</u>
Total Assets		

LIABILITIES AND NET ASSETS

Current Liabilities		
Vacation Payable	\$ <u>7,201</u>	<u>8,112</u>
Total Liabilities	<u>7,201</u>	<u>8,112</u>
Net Assets		
Unrestricted Net Assets	512,782	421,520
Temporarily Restricted for the Landmark Sign	<u>12,298</u>	<u>4,793</u>
Total Net Assets	<u>525,080</u>	<u>426,313</u>
	<u>532,281</u>	<u>434,425</u>
Total Liabilities and Net Assets	<u>\$ 532,281</u>	<u>434,425</u>

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

EAST VILLAGE ASSOCIATION, INC.
Statement of Activities
For the Year Ended June 30, 2016 and 2015

	2016	2015
Changes in unrestricted net assets:		
Revenues:		
Governmental Funding:		
BID Reimbursements	\$ 188,124	\$ 187,731
Parking District Income	129,443	51,514
Small Business Enhancement Program Grant	17,860	20,780
Total Governmental Funding	335,427	260,025
Other Revenues		
Special Events	84,115	84,643
Donations	5,458	2,404
Banner/Branding	4,411	38,562
Membership Dues	8,209	8,850
Miscellaneous Income	8,361	6,785
Total Other Revenue	110,554	141,244
Total Revenues	445,981	401,269
Expenses:		
Program	323,858	261,516
General and Administrative	30,861	26,376
Total Expenses	354,719	287,892
Increase in Unrestricted Net Assets	91,262	113,377
Changes in temporarily restricted net assets		
Revenues		
Contributions for Landmark Sign	7,505	2,463
Increase in temporarily restricted net assets	7,505	2,463
Increase in Net Assets	98,767	115,840
Net Assets Beginning of Year	426,313	310,473
Net Assets End of Year	\$ 525,080	\$ 426,313

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

EAST VILLAGE ASSOCIATION, INC.
Schedule of Expenses
For the Year Ended June 30, 2016 and 2015

	<u>Program</u>	<u>General & Administrative</u>	<u>Total</u>	<u>2015</u>
Accounting/Audit	9,644	1,072	10,716	12,803
Advertising	26,838	2,982	29,820	43,723
Bank Charges	-	912	912	1,885
Consultants	17,838	-	17,838	600
Design	36,480	-	36,480	40,498
Education	723	80	803	136
Insurance	1,866	207	2,073	2,561
License & Fees	771	86	857	1,213
Legal & Professional Fees	1,503	167	1,670	3,288
Payroll Fees	-	-	-	25
Payroll Taxes	8,349	928	9,277	8,233
Telephone	651	72	723	1,419
Rent	1,080	120	1,200	-
Salary	103,409	11,490	114,899	104,395
Special Projects/Events	113,064	12,563	125,627	62,270
Printing, Postage, & Supplies	1,848	205	2,053	3,449
Worker's Comp.	<u>(207)</u>	<u>(23)</u>	<u>(230)</u>	<u>1,394</u>
 Total Expenses	 \$ <u>323,858</u>	 \$ <u>30,861</u>	 \$ <u>354,719</u>	 <u>287,892</u>

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

EAST VILLAGE ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 98,767	\$ 115,840
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in Accounts Receivable	(38,187)	(3,015)
Increase/(Decrease) in Vacation Payable	(911)	8,112
Total Adjustments	<u>(39,098)</u>	<u>5,097</u>
Net Cash Provided by Operating Activities	<u>59,669</u>	<u>120,937</u>
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities	-	-
Net Increase/(Decrease) in Cash	<u>59,669</u>	<u>120,937</u>
Cash at Beginning of Period	<u>412,927</u>	<u>291,990</u>
Cash at End of Period	<u>\$ 472,596</u>	<u>\$ 412,927</u>

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

EAST VILLAGE ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

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

Financial Statement Presentation

Financial statement presentation follows the FASB Accounting Standards Codification No. 958 (ASC 958), "Not-For-Profit Entities" (Formerly Statement of Financial Accounting Standards No. 116 and No. 117). Under ASC 958, the organization is required to record and report information regarding its financial position and activities according to three classes of net assets:

- * Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Organization.
- * Temporarily restricted net assets consist of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- * Permanently restricted net assets consist of contributions subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Income Taxes

The Association was organized as a non-profit organization and was granted exemption from Federal and State income taxes under sections 501(c)(3) of the Internal Revenue Code and 23701(e) of the State of California Revenue and Taxation Law.

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.

NOTE 2 – Reclassifications made to Prior Year

There is a reclassification made to the fiscal year ended June 30, 2016 to segregate from Unrestricted Funds to Temporarily Restricted Funds the contributions received by the Association and directed by the donors for the Landmark Sign.

NOTE 3 - Revenues

The Association is funded in part by the City of San Diego. City of San Diego receives the funds as a special assessment collected together with business licensing fees from businesses located within the East Village business district. Such funds are used to reimburse East Village Association, Inc. for approved business improvement district expenses. The Association also receives revenue from the City for the Small Business Enhancement Program and Civic San Diego for the Parking District program. In addition, the Association organizes annual and special events that are held within the East Village business district. Monies raised from these activities help fund improvement projects in the business district.

NOTE 4 – Accounts Receivable

The balance in accounts receivable of \$20,048 and \$18,483 represent unpaid claims submitted to the City of San Diego for expenditures incurred through June 30, 2016 and 2015, respectively, and other receivables from businesses within and outside the district as follows:

	<u>2016</u>	<u>2015</u>
City of San Diego	\$59,185	\$20,048
Other	<u>500</u>	<u>1,450</u>
	<u>\$59,685</u>	<u>\$21,498</u>

NOTE 5 – Assessments Collected and Available

The City of San Diego assesses and collects from business owners who file for a business license within the East Village boundary for business improvement and economic development. These funds are held by the City on behalf of the business owners to reimburse upon performance and approval of district activities under the contract. The amount of funds available as of June 30, 2015 and 2016 is \$35,711 and \$16,344, respectively.

NOTE 6 – Pending Lawsuit

East Village Association, Inc. is one of the nonprofit organization named as defendants in a lawsuit filed by San Diegans for Open Government (Plaintiff/Petitioner) on June 15, 2015. This lawsuit challenges Municipal Defendants’ authorization of a variety of tax levies and collections labeled as “assessments” by Municipal Defendants in order to avoid public scrutiny without first obtaining the requisite approval of the voters of the City of San Diego, and the approval of the illegal tax and related contracts in violation of conflict-of-interest laws. The Association negotiated with the plaintiff to be removed from the lawsuit for the term of one year through a tolling agreement, which does not preclude the plaintiff/petitioner from its right to bring back the Association to the lawsuit.