

**EAST VILLAGE ASSOCIATION, INC.**  
Financial Statements  
For The Year Ended June 30, 2017 and 2016  
Independent Auditors' Report

**EAST VILLAGE ASSOCIATION, INC.**  
**Financial Statements**  
**June 30, 2017 and 2016**

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**Guerrero, Jimenez, Diaz  
& Co. LLP**  
A Certified Public Accounting Firm

## **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, 2017 and 2016, 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, 2017 and 2016, 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, 2016, 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  
November 15, 2017

**EAST VILLAGE ASSOCIATION, INC.**  
Statement of Financial Position  
For the Year Ended June 30, 2017 and 2016

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b>Current Assets:</b>		
Cash	\$ 566,734	472,596
Accounts Receivable	<u>29,750</u>	<u>59,685</u>
<b>Total Current Assets</b>	<u>596,484</u>	<u>532,281</u>
	<u><u>596,484</u></u>	<u><u>532,281</u></u>
<b>Total Assets</b>		

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable	638	-
Vacation Payable	\$ <u>1,732</u>	<u>7,201</u>
<b>Total Liabilities</b>	<u>2,370</u>	<u>7,201</u>
<b>Net Assets</b>		
Unrestricted Net Assets	576,024	512,782
Temporarily Restricted for the Landmark Sign	<u>18,090</u>	<u>12,298</u>
<b>Total Net Assets</b>	<u>594,114</u>	<u>525,080</u>
	<u><u>596,484</u></u>	<u><u>532,281</u></u>
<b>Total Liabilities and Net Assets</b>	\$	

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

**EAST VILLAGE ASSOCIATION, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Changes in unrestricted net assets:</b>		
Revenues:		
Governmental Funding:		
BID Reimbursements	\$ 196,107	\$ 188,124
Parking District Income	125,465	129,443
Small Business Enhancement Program Grant	17,925	17,860
Total Governmental Funding	<u>339,497</u>	<u>335,427</u>
Other Revenues		
Special Events	114,765	84,115
Donations	3,291	5,458
Banner/Branding	1,970	4,411
Membership Dues	6,059	8,209
Miscellaneous Income	9,081	8,361
Total Other Revenue	<u>135,166</u>	<u>110,554</u>
<b>Total Revenues</b>	<u>474,663</u>	<u>445,981</u>
Expenses:		
Program	379,983	323,858
General and Administrative	<u>31,438</u>	<u>30,861</u>
<b>Total Expenses</b>	<u>411,421</u>	<u>354,719</u>
<b>Increase in Unrestricted Net Assets</b>	<u>63,242</u>	<u>91,262</u>
<b>Changes in temporarily restricted net assets</b>		
Revenues		
Contributions for Landmark Sign	<u>5,792</u>	<u>7,505</u>
<b>Increase in temporarily restricted net assets</b>	<u>5,792</u>	<u>7,505</u>
<b>Increase in Net Assets</b>	69,034	98,767
Net Assets Beginning of Year	525,080	426,313
<b>Net Assets End of Year</b>	<u>\$ 594,114</u>	<u>\$ 525,080</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, 2017 and 2016**

	<u>Program</u>	<u>General &amp; Administrative</u>	<u>Total</u>	<u>2016</u>
Accounting/Audit	18,186	2,021	20,207	10,716
Advertising	64,820	7,202	72,022	29,820
Bank Charges	-	980	980	912
Consultants	7,962	-	7,962	17,838
Design	97,901	-	97,901	36,480
Education	315	35	350	803
Insurance	1,916	213	2,129	2,073
License & Fees	1,949	217	2,165	857
Legal & Professional Fees	5,022	558	5,580	1,670
Payroll Fees	35	4	39	-
Payroll Taxes	8,574	953	9,527	9,278
Telephone	1,513	168	1,681	723
Rent	4,906	545	5,451	1,200
Salary	103,064	11,452	114,515	114,899
Special Projects/Events	59,757	6,640	66,397	125,627
Printing, Postage, & Supplies	3,416	380	3,795	2,053
Worker's Comp.	647	72	719	(230)
	<u>379,983</u>	<u>31,438</u>	<u>411,421</u>	<u>354,719</u>
<b>Total Expenses</b>	<b>\$ <u>379,983</u></b>	<b>\$ <u>31,438</u></b>	<b>\$ <u>411,421</u></b>	<b><u>354,719</u></b>

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, 2017 and 2016

	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Increase in Net Assets	\$ 69,034	\$ 98,767
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in Accounts Receivable	29,935	(38,187)
Increase/(Decrease) in Accounts Payable	638	-
Increase/(Decrease) in Vacation Payable	(5,469)	(911)
Total Adjustments	25,104	(39,098)
<b>Net Cash Provided by Operating Activities</b>	<b>94,138</b>	<b>59,669</b>
<b>Cash Flows from Investing Activities</b>	-	-
<b>Cash Flows from Financing Activities</b>	-	-
<b>Net Increase/(Decrease) in Cash</b>	<b>94,138</b>	<b>59,669</b>
<b>Cash at Beginning of Period</b>	<b>472,596</b>	<b>412,927</b>
<b>Cash at End of Period</b>	<b>\$ 566,734</b>	<b>\$ 472,596</b>

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



## **EAST VILLAGE ASSOCIATION, INC.**

### **Notes to Financial Statements**

**June 30, 2017 and 2016**

#### **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 - 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 3 – Accounts Receivable**

The balance in accounts receivable of \$29,750 and \$59,685 represent unpaid claims submitted to the City of San Diego for expenditures incurred through June 30, 2017 and 2016, respectively, and other receivables from businesses within and outside the district as follows:

	<u>2017</u>	<u>2016</u>
City of San Diego	\$29,750	\$59,185
Other	-	500
	<u>\$29,750</u>	<u>\$59,685</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, 2016 and 2017 is \$16,344 and \$10,000, respectively.

**NOTE 6 – Pending Lawsuit**

East Village Association, Inc. is one of the nonprofit organizations named as defendants in three lawsuits filed by San Diegans for Open Government (Plaintiff/Petitioner):

The first one was filed in 2014, an additional lawsuit was filed in 2015 which has been consolidated with the original 2014 lawsuit and is considered one lawsuit for which trial is scheduled for February 23, 2018.

On June 6, 2017, a second lawsuit was filed to challenge the most recent fiscal year which is nearly exactly the same as the 2014 case. The Municipal Defendants have filed a motion with the court to narrow this case down to a single lawsuit (similar to the first case). The Municipal Defendants also filed a motion to consolidate this lawsuit with the 2014 case as it involves exactly the same issues. Trial has not been currently set for this most current lawsuit.

The above lawsuits challenge 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. Municipal Defendants deny that the challenged assessments are taxes within the relevant definition and that public approval of them is required. The City is defending that issue and motion to determine that issue is set to be heard in January of 2018. An appeal by the losing party will likely follow the outcome of that motion.

On February 2017, San Diegans for Open Government filed a third lawsuit, petition for Writ of Mandate under the California Public Records Act and Other Laws. Trial is currently set for December 8, 2017.

#### **NOTE 7 – Subsequent Events**

East Village Association, Inc. was one of the nonprofit organizations named as defendants in a lawsuit filed by Miguel Lizarraga (Plaintiff/Petitioner):

On August 5, 2017 a lawsuit was filed as an action for the copyright infringement based on defendant's unauthorized use of plaintiff's photographic image for a massive advertising campaign promoting an event described as San Diego's most sought after Halloween Party and the Hottest Halloween Bash. On October 20, 2017, the Mr. Lizarraga (Plaintiff/Petitioner) voluntarily dismisses the defendant, East Village Association, Inc., without prejudice.