

**EAST VILLAGE ASSOCIATION, INC.**  
Financial Statements  
For The Year Ended June 30, 2018 and 2017  
Independent Auditors' Report

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Financial Statements  
June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 November 15, 2017, 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 26, 2018

**EAST VILLAGE ASSOCIATION, INC.**  
Statement of Financial Position  
For the Year Ended June 30, 2018 and 2017

**ASSETS**

	2018	2017
<b>Current Assets:</b>		
Cash	\$ 571,779	566,734
Accounts Receivable	22,469	29,750
<b>Total Current Assets</b>	594,248	596,484
 <b>Total Assets</b>	<b>594,248</b>	<b>596,484</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable	11,723	638
Vacation Payable	\$ 2,024	1,732
<b>Total Liabilities</b>	13,747	2,370
 <b>Net Assets</b>		
Unrestricted Net Assets	580,501	576,024
Temporarily Restricted for the Landmark Sign	-	18,090
<b>Total Net Assets</b>	580,501	594,114
 <b>Total Liabilities and Net Assets</b>	<b>\$ 594,248</b>	<b>596,484</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, 2018 and 2017

	Unrestricted	Temporarily Restricted	Total	2017
<b>Changes in unrestricted net assets:</b>				
Revenues:				
Governmental Funding:				
BID Reimbursements	\$ 174,043	\$ -	\$ 174,043	\$ 196,107
Parking District Income	181,301	-	181,301	125,465
Small Business Enhancement Program Grant	18,776	-	18,776	17,925
Other Government Grants	4,770	-	4,770	4,000
Net Assets Released from Restrictions	18,090	(18,090)	-	-
Total Governmental Funding	396,980	(18,090)	378,890	343,497
Other Revenues				
Special Events	112,566	-	112,566	114,765
Donations	-	-	-	3,291
Banner/Branding	5,000	-	5,000	1,970
Membership Dues	500	-	500	6,059
Miscellaneous Income	592	-	592	5,081
Total Other Revenue	118,658	-	118,658	131,166
Total Revenues	515,638	(18,090)	497,548	474,663
Expenses:				
Program	465,755	-	465,755	379,983
General and Administrative	45,406	-	45,406	31,438
Total Expenses	511,161	-	511,161	411,421
<b>Increase in Unrestricted Net Assets</b>	<b>4,477</b>	<b>(18,090)</b>	<b>(13,613)</b>	<b>63,242</b>
<b>Changes in temporarily restricted net assets</b>				
Revenues				
Contributions for Landmark Sign	-	-	-	5,792
<b>Increase in temporarily restricted net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,792</b>
<b>Increase in Net Assets</b>	<b>4,477</b>	<b>(18,090)</b>	<b>(13,613)</b>	<b>69,034</b>
Net Assets Beginning of Year	576,024	18,090	594,114	525,080
<b>Net Assets End of Year</b>	<b>\$ 580,501</b>	<b>\$ -</b>	<b>\$ 580,501</b>	<b>\$ 594,114</b>

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, 2018 and 2017

	Program	General & Administrative	Total	2017
Accounting/Audit	-	19,099	19,099	20,207
Bank Charges	-	796	796	980
Consultants	2,500	-	2,500	7,962
Design	70,641	-	70,641	97,901
Education	324	36	360	350
Insurance	3,722	414	4,135	2,129
Legal & Professional Fees	7,745	861	8,606	5,580
License & Fees	6,488	721	7,209	2,165
Payroll Fees	69	8	77	39
Payroll Taxes	10,350	1,150	11,500	9,527
Printing, Postage, & Supplies	1,600	178	1,778	3,795
Promotions/Advertising	163,014	-	163,014	72,022
Rent	4,752	528	5,280	5,451
Salary	126,042	14,005	140,047	114,515
Special Projects/Events	65,444	7,272	72,715	66,397
Telephone	2,218	246	2,464	1,681
Worker's Comp.	845	94	939	720
<b>Total Expenses</b>	<b>\$ 465,755</b>	<b>\$ 45,406</b>	<b>\$ 511,161</b>	<b>411,421</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, 2018 and 2017

	2018	2017
<b>Cash Flows from Operating Activities:</b>		
Increase in Net Assets	\$ (13,613)	\$ 69,034
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in Accounts Receivable	7,281	29,935
Increase/(Decrease) in Accounts Payable	11,085	638
Increase/(Decrease) in Vacation Payable	292	(5,469)
Total Adjustments	18,658	25,104
<b>Net Cash Provided by Operating Activities</b>	<b>5,045</b>	<b>94,138</b>
<b>Cash Flows from Investing Activities</b>	-	-
<b>Cash Flows from Financing Activities</b>	-	-
Net Increase/(Decrease) in Cash	5,045	94,138
Cash at Beginning of Period	566,734	472,596
Cash at End of Period	\$ 571,779	\$ 566,734

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



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

Notes to Financial Statements

June 30, 2018 and 2017

### **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 \$22,469 and \$29,750 represent unpaid claims submitted to the City of San Diego for expenditures incurred through June 30, 2018 and 2017, respectively, and other receivables from businesses within and outside the district as follows:

	<u>2018</u>	<u>2017</u>
City of San Diego	<u>\$22,469</u>	<u>\$29,750</u>
	<u>\$22,469</u>	<u>\$29,750</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, 2018 and 2017 is \$10,000 and \$16,344, 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.

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.

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.

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. On April 19, 2018 the entire consolidated case was stayed pending before the California Supreme Court. As of October 19, 2018, the date the status conference was held, this matter is still stayed pursuant to the Court's agreement to stay the matter. The next status conference is scheduled for January 18, 2019.