

EAST VILLAGE ASSOCIATION, INC.
Financial Statements
For The Year Ended June 30, 2019 and 2018
Independent Auditors' Report

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Financial Statements
June 30, 2019 and 2018

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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 Association), which comprise of the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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 26, 2018, 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

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

San Diego, California
January 28, 2020

EAST VILLAGE ASSOCIATION, INC.
Statement of Financial Position
For the Year Ended June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash	\$ 409,392	571,779
Accounts Receivable	121,641	22,469
Total Current Assets	<u>531,032</u>	<u>594,248</u>
Total Assets	<u><u>531,032</u></u>	<u><u>594,248</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	362	11,723
Vacation Payable	\$ -	2,024
Total Liabilities	<u>362</u>	<u>13,747</u>
Net Assets		
Without Donor Restrictions		
Undesignated	530,670	580,501
With Donor Restrictions	-	-
Total Net Assets	<u>530,670</u>	<u>580,501</u>
Total Liabilities and Net Assets	<u><u>\$ 531,032</u></u>	<u><u>594,248</u></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, 2019 and 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
Changes in unrestricted net assets:				
<u>Operating Activities</u>				
Support and Revenue				
BID Income	\$ 185,000	\$ -	\$ 185,000	\$ 174,043
Parking District Income	234,303	-	234,303	181,301
Small Business Enhancement Program Grant	-	18,219	18,219	18,776
Tech / Acct Grant	-	5,000	5,000	4,770
Donations	-	19,100	19,100	-
City Fees & Services	4,271	-	4,271	-
Net Assets Released from Restrictions	42,319	(42,319)	-	-
Total Governmental Funding	<u>465,893</u>	<u>-</u>	<u>465,893</u>	<u>378,890</u>
Other Revenues				
Special Events	105,955	-	105,955	112,566
Banner/Branding	-	-	-	5,000
Membership Dues	3,343	-	3,343	500
Sponsorships	878	-	878	-
Miscellaneous Income	482	-	482	592
Total Other Revenue	<u>110,657</u>	<u>-</u>	<u>110,657</u>	<u>118,658</u>
Total Revenues	<u>576,550</u>	<u>-</u>	<u>576,550</u>	<u>497,548</u>
Operating Expenses:				
Program	572,505	-	572,505	465,755
General and Administrative	53,876	-	53,876	45,406
Total Expenses	<u>626,381</u>	<u>-</u>	<u>626,381</u>	<u>511,161</u>
Increase/(Decrease) in Unrestricted Net Assets	<u>(49,831)</u>	<u>-</u>	<u>(49,831)</u>	<u>(13,613)</u>
Net Assets Beginning of Year	<u>580,501</u>	<u>-</u>	<u>580,501</u>	<u>594,114</u>
Net Assets End of Year	<u>\$ 530,670</u>	<u>-</u>	<u>530,670</u>	<u>580,501</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, 2019 and 2018

	Program	General & Administrative	Total	2018
Accounting/Audit	-	20,975	20,975	19,099
Bank Charges	-	36	36	796
Consultants	2,500	-	2,500	2,500
Design	134,639	-	134,639	70,641
Education	813	90	903	360
Equipment	3,244	360	3,604	-
Insurance	2,828	314	3,142	4,135
Legal & Professional Fees	288	32	320	8,606
License & Fees	6,001	667	6,668	7,209
Payroll Fees	68	8	75	77
Payroll Taxes	11,501	1,278	12,779	11,500
Printing, Postage, & Supplies	3,783	420	4,204	1,778
Promotions/Advertising	139,581	-	139,581	163,014
Rent	20,401	2,267	22,668	5,280
Repairs & Maintenance	3,182	354	3,535	-
Salary	146,339	16,260	162,599	140,046
Special Projects/Events	94,384	10,487	104,871	72,715
Telephone	1,656	184	1,840	2,466
Worker's Comp.	1,298	144	1,442	939
Total Expenses	\$ 572,506	\$ 53,876	\$ 626,381	511,161

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Increase/(Decrease) in Net Assets	\$ (49,831)	\$ (13,613)
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in Accounts Receivable	(99,171)	7,281
Increase/(Decrease) in Accounts Payable	(11,361)	11,085
Increase/(Decrease) in Vacation Payable	(2,024)	292
Total Adjustments	<u>(112,556)</u>	<u>18,658</u>
Net Cash Provided by Operating Activities	<u>(162,387)</u>	<u>5,045</u>
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities	-	-
Net Increase/(Decrease) in Cash	<u>(162,387)</u>	<u>5,045</u>
Cash at Beginning of Period	<u>571,779</u>	<u>566,734</u>
Cash at End of Period	<u>\$ 409,392</u>	<u>\$ 571,779</u>

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

EAST VILLAGE ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

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 businesses and promote a desirable destination to live, play, and work in the East Village area of San Diego.

Income Taxes

The Association was organized as a non-profit association 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.

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, where by 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 is funded principally through the administration of contracts and grants with the City and County of San Diego (special assessment districts BID, SBEP, 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 10, 2020, 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 – 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, 2019 and 2018, listed as follows:

	<u>2019</u>	<u>2018</u>
City of San Diego	<u>121,099</u>	<u>22,469</u>
	<u>\$ 121,099</u>	<u>\$ 22,469</u>

NOTE 3 – 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, 2019 and 2018 is \$13,000 and \$10,000, respectively.

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	\$409,392
Accounts Receivable	<u>121,641</u>
Total financial assets available within one year	<u>531,032</u>
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>\$ 531,032</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 \$532,768 at June 30, 2019.

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.

Purpose restrictions accomplished:

Small Business Enhancement Grant	\$18,219
Technical Assistance/Acctg. Grant	5,000
Donations for evArt Program	<u>19,100</u>
	<u>\$42,319</u>

NOTE 8 – Financial Strategy

The Association acknowledges a negative change in net assets of \$47,733. The loss is due mainly to the input of a new parklet which costs \$71,000. This is a one-time expense which we do not expect to be repeated.

NOTE 9 – Lease Commitments

The Association is currently paying rent of \$1,890 per month. On September 6, 2019 the Association entered into a new month-to-month lease agreement with a monthly rent amount of \$1,152.

NOTE 10 – Pending Lawsuit

East Village Association, Inc. is one of the nonprofit associations 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, 2018, 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.

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 February 2018, San Diegans for Open Government filed a third lawsuit, petition for Writ of Mandate under the California Public Records Act and Other Laws. On April 19, 2019 the entire consolidated case was stayed pending before the California Supreme Court. As of October 19, 2018, the date the last status conference was held, this matter is still stayed, pursuant to the Court's agreement to stay the matter. A status conference in the case will be scheduled for May 8, 2020.