



# **East Village Association, Inc.**

San Diego, California

## **Financial Statements and Independent Auditor's Report**

*June 30, 2021*

**East Village Association, Inc.**  
**June 30, 2021**

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## **Independent Auditors' Report**

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the East Village Association, Inc. (Organization), which comprises the statement of financial position as of June 30, 2021, and the related statements of activities and cash flow for the year 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 controls 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 of 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Other Information***

The prior year summarized comparative information has been derived from the 2020 financial statements and in our report dated February 2, 2021 we expressed an unqualified opinion on those financial statements. The information is consistent, in all material respects, with the audited financial statements from which it has been derived.

***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, 2021, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

***Report on Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Functional Expenses on pages 6 are the responsibility of management and were derived from and relate 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 States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Ariel Kagan*

Kagan and Associates, CPAs  
Santee, California

January 22, 2022

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## **FINANCIAL STATEMENTS**

**East Village Association, Inc.**  
**Statements of Financial Position**  
**For the Year Ended June 30, 2021 and 2020**

**Assets**

	2021	2020
<b>Current assets</b>		
Cash and cash equivalents	\$ 220,459	\$ 513,387
Accounts receivable	300,061	36,854
Prepaid expenses and deposits	1,152	1,182
	<u>521,672</u>	<u>551,423</u>
<b>Total operating assets</b>		
	<u>521,672</u>	<u>551,423</u>
<b>Total assets</b>	\$ <u>521,672</u>	\$ <u>551,423</u>

**Liabilities and net assets**

<b>Current liabilities</b>		
Accounts payable	\$ 11,336	\$ 9,608
Bid assessments	16,321	16,321
Accrued vacation payable	8,006	4,394
	<u>35,663</u>	<u>30,323</u>
<b>Total current liabilities</b>		
	<u>35,663</u>	<u>30,323</u>
<b>Total liabilities</b>		
	<u>35,663</u>	<u>30,323</u>
<b>Net assets</b>		
Without donor restrictions	486,009	521,100
With donor restrictions	<u>          </u>	<u>          </u>
<b>Total net assets</b>	<u>486,009</u>	<u>521,100</u>
<b>Total liabilities and net assets</b>	\$ <u>521,672</u>	\$ <u>551,423</u>

The accompanying notes are an integral part of these financial statements

**East Village Association, Inc.**  
 Statements of Activities  
 For The Year Ended June 30, 2021 and 2020

	2021			2020		
	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total support and other revenue</u>	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total support and other revenue</u>
<b>Revenue and support</b>						
<u>Governmental funding</u>						
BID income	\$ 190,717	\$	\$ 190,717	\$ 158,679	\$	\$ 158,679
Parking district income	398,015		398,015	110,557		110,557
Small business enhancement program grant		18,158	18,158		18,158	18,158
Grants	200		200		13,500	13,500
Donations					1,500	1,500
City fees & services				306		306
Net assets released from restriction	18,158	(18,158)		33,158	(33,158)	
<b>Total governmental funding</b>	<u>607,090</u>		<u>607,090</u>	<u>302,700</u>		<u>302,700</u>
<u>Other revenues</u>						
Special events	6,264		6,264	4,878		4,878
Banner/branding				15,000		15,000
Membership dues				2,597		2,597
Interest income	440		440	451		451
<b>Total other revenue</b>	<u>6,704</u>		<u>6,704</u>	<u>22,926</u>		<u>22,926</u>
<b>Total revenues</b>	<u>613,794</u>		<u>613,794</u>	<u>325,626</u>		<u>325,626</u>
<b>Expenses</b>						
Program services	606,725		606,725	303,099		303,099
General and administrative	42,160		42,160	32,097		32,097
<b>Total expenses</b>	<u>648,885</u>		<u>648,885</u>	<u>335,196</u>		<u>335,196</u>
<b>Change in net assets</b>	(35,091)		(35,091)	(9,570)		(9,570)
<b>Beginning net assets</b>	<u>521,100</u>		<u>521,100</u>	<u>530,670</u>		<u>530,670</u>
<b>Ending net assets</b>	<u>\$ 486,009</u>	<u>\$</u>	<u>\$ 486,009</u>	<u>\$ 521,100</u>	<u>\$</u>	<u>\$ 521,100</u>

The accompanying notes are an integral part of these financial statements

**East Village Association, Inc.**  
**Statements of Cash Flows**  
For The Year Ended June 30, 2021 and 2020

<b>Cash flows from operating activities:</b>	<u>2021</u>	<u>2020</u>
Change in net assets	\$ (35,091)	\$ (9,570)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		
(Increase) decrease in assets:		
Accounts receivable	(263,206)	84,787
Prepaid expenses and deposits	30	(1,182)
Increase (decrease) in liabilities:		
Accounts payable	1,727	9,245
Assessments		16,321
Accrued vacation	3,612	4,394
<b>Net cash provided (used) by operating activities</b>	<u>(292,928)</u>	<u>103,995</u>
<b>Cash flows from investing activities:</b>		
<b>Net cash provided (used) by investing activities</b>	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities:</b>		
<b>Net cash provided (used) by financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(292,928)	103,995
<b>Beginning cash and cash equivalents</b>	<u>513,387</u>	<u>409,392</u>
<b>Ending cash and cash equivalents</b>	<u>\$ 220,459</u>	<u>\$ 513,387</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, 2021 and 2020

	2021			2020		
	Program	General & administrative	Total expenses	Program	General & administrative	Total expenses
Salaries	\$ 129,279	\$ 21,990	\$ 151,269	\$ 133,306	\$ 14,812	\$ 148,118
Payroll taxes	11,046	1,163	12,209	11,499	1,278	12,777
Payroll fees	62	25	87	80	9	89
Health Insurance	8,037	3,581	11,618	6,116	680	6,796
Workers Compensation		1,342	1,342	464	52	516
<b>Total personnel costs</b>	<b>148,424</b>	<b>28,101</b>	<b>176,525</b>	<b>151,465</b>	<b>16,831</b>	<b>168,296</b>
Accounting	14,400	6,675	21,075	18,877	2,098	20,975
Consultants			-	400	-	400
Design	137,220		137,220	13,841	-	13,841
Education			-	14	2	16
Utilities	4,460	4	4,464	1,926	214	2,140
Insurance	3,759		3,759	2,267	251	2,518
Legal & professional fees	662		662	13	2	15
Licenses & fees	2,706	796	3,502	1,745	194	1,939
Printing/postage/supplies	3,410	562	3,972	1,409	156	1,565
Promotions/advertising	269,582	5,739	275,321	81,191	9,021	90,212
Rent	18,218	244	18,462	27,636	3,071	30,707
Special projects/events	3,608		3,608	828	92	920
Telephone	276	39	315	1,487	165	1,652
<b>Total other expenses</b>	<b>458,301</b>	<b>14,059</b>	<b>472,360</b>	<b>151,634</b>	<b>15,266</b>	<b>166,900</b>
<b>Total expenses</b>	<b>\$ 606,725</b>	<b>\$ 42,160</b>	<b>\$ 648,885</b>	<b>\$ 303,099</b>	<b>\$ 32,097</b>	<b>\$ 335,196</b>

The accompanying notes are an integral part of these financial statements

**East Village Association, Inc.**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2021 and 2020**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

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.

**Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recorded as the liability when incurred.

**Basis of Presentation**

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor restrictions generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

*Net Assets With Donor Restrictions* – These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in Organization net assets during the reporting period. Actual results could differ from those estimates.

**Contributions**

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**East Village Association, Inc.**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**Contributed In-Kind Goods and Services**

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Cash and Cash Equivalents**

For the purpose of reporting cash flows, the Organization considers all highly liquid debt instruments, including money market funds, purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

**Fair Value Measurements**

The Organization measures fair value at the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2: Unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Significant unobservable inputs for the asset or liability.

**Prepaid Expenses and Deposits**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid expenses or deposits.

**Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair market value at date of donation. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives of the assets, ranging from three to seven years. Property and equipment are capitalized if the cost or donated fair market value of an asset is greater than, or equal to \$5,000.

**Long-Lived Assets**

The Organization accounts for impairment and disposition of long-lived assets. Impairment losses are recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. The Organization does not currently maintain any long-lived assets.

**East Village Association, Inc.**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**Rent Expense**

For lease agreements that provide for escalating rent payments or free-rent occupancy periods, the Organization recognizes rent expense on a straight-line basis over the non-cancelable lease term and option renewal periods where failure to exercise such options would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonably assured. The lease term commences on the date that the Organization takes possession of or controls the physical use of the property.

**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.

**Income Taxes**

As a publicly supported not-for-profit organization, the Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and the corresponding provisions of Section 23701d of the California Revenue and Taxation Code. The Organization is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Organization's tax-exempt purpose. The Organization is not a private-foundation and qualifies for the charitable deduction under 170(b)(1)(A)(vi) of the Internal Revenue Code.

The Organization has applied the provisions of ASC Subtopic 740-10, *Income Taxes—Overall*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on recognition, classification, interest, and penalties, disclosure, and transition. Management of the Organization believes that no such uncertain tax positions exist as of June 30, 2021 and 2020.

**Functional Allocation of Expenses**

The costs of providing the Organization's programs and other activities have been presented in the schedule of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses proportional salary dollars to allocate indirect costs.

**Adoption of New Accounting Pronouncement**

The Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 *-Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update 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 between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 relates to the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**East Village Association, Inc.**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**Comparative Financial Information**

The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's prior audited financial statements for the year ended June 30, 2020 from which the summarized information was derived. Some items may have been reclassified for purposes of overall comparability and consistency of presentation.

**Note 2 – Accounts Receivable**

Accounts receivable at June 30, 2021 and 2020, were comprised of the following:

Description	2021	2020
City of San Diego	\$ <u>300,061</u>	\$ 33,340
BID Foundation		1,000
US Bank		2,500
Misc		<u>14</u>
<b>Total</b>	\$ <u>300,061</u>	\$ <u>36,854</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, 2021 and 2020 is \$16,321 and \$16,321, respectively.

**Note 4 – Liquidity and Availability of Financial Assets**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at June 30, 2021:

Cash	\$ 220,459
Accounts and contributions receivable	<u>300,061</u>
Total financial assets	520,520
Funds subject to donor-imposed restrictions	<u>(0)</u>
Financial assets available to meet general expenditures within one year	\$ <u>520,520</u>

**East Village Association, Inc.**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

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**Note 4 – Liquidity and Availability of Financial Assets (cont.)**

Financial assets at June 30, 2020:

Cash	\$	513,387
Accounts and contributions receivable		<u>36,854</u>
Total financial assets		550,241
Funds subject to donor-imposed restrictions		<u>(0)</u>
Financial assets available to meet general expenditures within one year	\$	<u>550,241</u>

**Note 5 – Notes Payable**

*Related Party – Loan Payable*

There were no related party payables outstanding as of June 30, 2021 and 2020.

**Note 6 - Net Assets without Donor Restrictions**

The Association has undesignated Net Assets without donor restrictions of \$486,009 at June 30, 2021.

**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 Program		\$18,158
Technical Assistance/Acctg/COVID/US Bank		
Donations for evArt Program		
		<u>\$18,158</u>

**East Village Association, Inc.**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

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**Note 8 – Operating Lease Agreement**

The Organization leases its administrative offices in San Diego, California, under an operating lease. In September 2019, the Organization entered into a month-to-month lease agreement. The Organization also rents a small storage unit.

<u>June year end</u>	<u>Amount</u>
2021	<u>18,462</u>
Total	\$ <u>18,462</u>

**Note 9 – Public Support**

Volunteers from the community have donated significant amounts of their time in support of the Organization's programs. No amounts have been reflected in the financial statements for the contributed services since no objective basis is available to measure the value of such services.

**Note 10 – Concentration of Credit Risk**

As of June 30, 2021 the Organization maintained cash balances in financial institutions within the amounts insured by the FDIC. During the audit period the Organization occasionally exceeded those limits. However, management believes the credit risk is minimal due to the quality of the financial institutions where its cash is held.

**Note 11 – Commitment and Contingencies**

***Grants and Contracts***

The Organization has grants and contracts with government agencies that may be subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits would not be material.

***Litigation***

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.

**East Village Association, Inc.**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2021 and 2020**

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**Note 11 – Commitment and Contingencies (cont.)**

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, 2020 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. Per the Organization all parties have agreed to settlement terms and attested to such as of the report date. The anticipated settlement amount is \$5,000 which would be covered by insurance. As such, no contingent liability is deemed necessary.

**Note 12 – Investments**

Investments as of June 30, 2021 and 2020 consist primarily of assets invested in marketable equity and debt securities. Cash and cash equivalents that are not used for operations are treated as investments due to their nature as long-term investments. Investments are carried at fair value based on quoted market prices in active market (all Level 1 measurements). The realized and unrealized gains and losses on investments are reflected in the statement of activities. Investment revenues are reported net of related investment expenses.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

At June 30, 2021, investments consisted of the following;

Operational checking	\$ 4,562
Savings	<u>215,897</u>
Total	\$ <u>220,459</u>

At June 30, 2020, investments consisted of the following;

Operational checking	\$ 57,930
Savings	<u>455,457</u>
Total	\$ <u>513,387</u>

**Note 13 – Subsequent Events**

The Organization's management has evaluated subsequent events through January 22, 2022, the date the financial statements were available to be issued.