



# **East Village Association, Inc.**

San Diego, California

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

*June 30, 2022*

**East Village Association, Inc.**  
**June 30, 2022**

**Table of Contents**

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	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements:</b>	
Statements of Financial Position .....	4
Statements of Activities.....	5
Statements of Cash Flows .....	6
Schedule of Functional Expenses.....	7
Notes to the Basic Financial Statements.....	8



## **Independent Auditors' Report**

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

### **Opinion**

We have audited the accompanying financial statements of East Village Association, Inc. (Organization), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Village Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Village Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 East Village Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Village Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

The prior year comparative information has been derived from the June 30, 2021 financial statements, in which we expressed an unmodified opinion in our report dated January 22, 2022. The summarized comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived.

Office 619-878-5779 Fax 619-792-1141  
akagan@kagancpas.com



## **Other Matters**

### ***Report on Other Information***

The accompanying Schedule of Functional Expenses on page 7 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 on page 7 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

October 21, 2022

**East Village Association, Inc.**  
**Statements of Financial Position**  
**For the Year Ended June 30, 2022 and 2021**

**Assets**

	<u>2022</u>	<u>2021</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 440,632	\$ 220,459
Accounts receivable	28,551	300,061
Prepaid expenses and deposits	<u>1,152</u>	<u>1,152</u>
<b>Total operating assets</b>	<u>470,335</u>	<u>521,672</u>
<b>Total assets</b>	<u>\$ 470,335</u>	<u>\$ 521,672</u>

**Liabilities and net assets**

<b>Current liabilities</b>		
Accounts payable	\$ 5,152	\$ 11,336
Bid assessments	-	16,321
Accrued vacation payable	<u>5,943</u>	<u>8,006</u>
<b>Total current liabilities</b>	<u>11,095</u>	<u>35,663</u>
<b>Total liabilities</b>	<u>11,095</u>	<u>35,663</u>
<b>Net assets</b>		
Without donor restrictions	459,240	486,009
With donor restrictions	<u>          </u>	<u>          </u>
<b>Total net assets</b>	<u>459,240</u>	<u>486,009</u>
<b>Total liabilities and net assets</b>	<u>\$ 470,335</u>	<u>\$ 521,672</u>

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The accompanying notes are an integral part of these financial statements

**East Village Association, Inc.**  
**Statements of Activities**  
**For The Year Ended June 30, 2022 and 2021**

	2022			2021		
	Without donor Restrictions	With donor Restrictions	Total support and other revenue	Without donor Restrictions	With donor Restrictions	Total support and other revenue
<b>Revenue and support</b>						
<u>Governmental funding</u>						
BID income	\$ 177,747	\$	\$ 177,747	\$ 190,717	\$	\$ 190,717
Parking district income	206,373		206,373	398,015		398,015
Small business enhancement program grant		18,219	18,219		18,158	18,158
Grants	11,000		11,000	200		200
Donations	11,000		11,000			
Net assets released from restriction	18,219	(18,219)		18,158	(18,158)	
<b>Total governmental funding</b>	<u>424,339</u>		<u>424,339</u>	<u>607,090</u>		<u>607,090</u>
<u>Other revenues</u>						
Special events	80,611		80,611	6,264		6,264
Interest income	167		167	440		440
<b>Total other revenue</b>	<u>80,778</u>		<u>80,778</u>	<u>6,704</u>		<u>6,704</u>
<b>Total revenues</b>	<u>505,117</u>		<u>505,117</u>	<u>613,794</u>		<u>613,794</u>
<b>Expenses</b>						
Program services	496,628		496,628	606,725		606,725
General and administrative	35,258		35,258	42,160		42,160
<b>Total expenses</b>	<u>531,886</u>		<u>531,886</u>	<u>648,885</u>		<u>648,885</u>
<b>Change in net assets</b>	<u>(26,769)</u>		<u>(26,769)</u>	<u>(35,091)</u>		<u>(35,091)</u>
<b>Beginning net assets</b>	<u>486,009</u>		<u>486,009</u>	<u>521,100</u>		<u>521,100</u>
<b>Ending net assets</b>	<u>\$ 459,240</u>	<u>\$</u>	<u>\$ 459,240</u>	<u>\$ 486,009</u>	<u>\$</u>	<u>\$ 486,009</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, 2022 and 2021**

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (26,769)	\$ (35,091)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		
(Increase) decrease in assets:		
Accounts receivable	271,511	(263,206)
Prepaid expenses and deposits		30
Increase (decrease) in liabilities:		
Accounts payable	(6,185)	1,727
Assessments	(16,321)	
Accrued vacation	(2,063)	3,612
<b>Net cash provided (used) by operating activities</b>	<b>220,173</b>	<b>(292,928)</b>
<b>Cash flows from investing activities:</b>		
<b>Net cash provided (used) by investing activities</b>	-	-
<b>Cash flows from financing activities:</b>		
<b>Net cash provided (used) by financing activities</b>	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	220,173	(292,928)
<b>Beginning cash and cash equivalents</b>	220,459	513,387
<b>Ending cash and cash equivalents</b>	\$ 440,632	\$ 220,459

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, 2022 and 2021**

	2022			2021		
	Program	General & administrative	Total expenses	Program	General & administrative	Total expenses
Salaries	\$ 135,897	\$ 3,715	\$ 139,612	\$ 129,279	\$ 21,990	\$ 151,269
Payroll taxes	11,264	442	11,706	11,046	1,163	12,209
Payroll fees	44	29	73	62	25	87
Health Insurance	6,170	7,111	13,281	8,037	3,581	11,618
Workers Compensation	-	1,040	1,040	-	1,342	1,342
<b>Total personnel costs</b>	<u>153,375</u>	<u>12,337</u>	<u>165,712</u>	<u>148,424</u>	<u>28,101</u>	<u>176,525</u>
Accounting	14,800	6,675	21,475	14,400	6,675	21,075
Design	4,464	-	4,464	137,220	-	137,220
Utilities	-	-	-	4,460	4	4,464
Insurance	10,017	-	10,017	3,759	-	3,759
Legal & professional fees	-	-	-	662	-	662
Licenses & fees	912	227	1,139	2,706	796	3,502
Printing/postage/supplies	1,934	190	2,124	3,410	562	3,972
Promotions/advertising	187,783	1,215	188,998	269,582	5,739	275,321
Rent	16,109	3,104	19,213	18,218	244	18,462
Special projects/events	106,272	9,510	115,782	3,608	-	3,608
Seminars/Training	-	2,000	2,000	-	-	-
Telephone	962	-	962	276	39	315
<b>Total other expenses</b>	<u>343,253</u>	<u>22,921</u>	<u>366,174</u>	<u>458,301</u>	<u>14,059</u>	<u>472,360</u>
<b>Total expenses</b>	<u>\$ 496,628</u>	<u>\$ 35,258</u>	<u>\$ 531,886</u>	<u>\$ 606,725</u>	<u>\$ 42,160</u>	<u>\$ 648,885</u>

The accompanying notes are an integral part of these financial statements

**East Village Association, Inc.**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2022 and 2021**

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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, 2022 and 2021**

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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, 2022 and 2021**

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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, 2022 and 2021.

**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, 2022 and 2021**

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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, 2021 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, 2022 and 2021, were comprised of the following:

Description	2022	2021
City of San Diego	\$ <u>28,551</u>	\$ <u>300,061</u>
<b>Total</b>	<b>\$ <u>28,551</u></b>	<b>\$ <u>300,061</u></b>

**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, 2022 and 2021 is \$0 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, 2022:

Cash	\$ 440,632
Accounts and contributions receivable	<u>28,551</u>
Total financial assets	469,183
Funds subject to donor-imposed restrictions	<u>(0)</u>
Financial assets available to meet general expenditures within one year	\$ <u>469,183</u>

**East Village Association, Inc.**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

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

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	(0)
Financial assets available to meet general expenditures within one year	\$ <u>520,520</u>

**Note 5 –Accruals/Payables**

Accounts payable consisted of expenses incurred through standard operations. Those payables were routine in nature and paid in a timely manner. Accounts Payable was \$5,152 as June 30, 2022 and \$11,336 as of June 30, 2021.

There were no related party payables outstanding as of June 30, 2022 and 2021.

The accrued vacation payable consisted of a single employee still employed as June 30, 2022. The balance outstanding was \$5,943 as of June 30, 2022 and \$8,006 as of June 30, 2021

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

The Association has undesignated Net Assets without donor restrictions of \$459,228 at June 30, 2022.

**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	\$18,219
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**East Village Association, Inc.**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

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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.

Combined rent expense as of June 30, 2022:

<u>June year end</u>	<u>Amount</u>
2022	<u>19,213</u>
Total	\$ <u>19,213</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, 2022 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. has settled all outstanding legal issued as of June 30, 2022.

**East Village Association, Inc.**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2022 and 2021**

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**Note 12 – Investments**

Investments as of June 30, 2022 and 2021 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. The Organization maintained no long-term investments as of June 30, 2022 and all investments were considered cash and cash equivalents.

At June 30, 2022, investments consisted of the following:

Operational checking	\$ 74,569
Savings	<u>366,063</u>
Total	\$ <u>440,632</u>

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

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

**Note 13 – Subsequent Events**

The Organization's management has evaluated subsequent events through October 21, 2022, the date the financial statements were available to be issued.