

DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2025

(AUDITED)



CASHUK, WISEMAN, GOLDBERG, BIRNBAUM, & SALEM, LLP
Certified Public Accountants

DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
TABLE OF CONTENTS
June 30, 2025

	PAGE
Independent Auditor's Report	1,2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-13



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Downtown El Cajon Business Partners, Inc.

Opinion

We have audited the accompanying financial statements of Downtown El Cajon Business Partners, Inc. (a California nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements 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 Downtown El Cajon Business Partners, Inc. as of June 30, 2025, 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 audit 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 Downtown El Cajon Business Partners, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe 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 Downtown El Cajon Business Partners, 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than from 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 Downtown El Cajon Business Partners, Inc.' 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 Downtown El Cajon Business Partners, 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

We have previously audited the Downtown El Cajon Business Partners, Inc.'s 2024 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cashuk, Wiseman, Koble, Birnbaum & Salem, LLP

CASHUK, WISEMAN, GOLDBERG, BIRNBAUM AND SALEM, LLP

San Diego, California
August 26, 2025

DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2025 with Comparative Totals for June 30, 2024

	2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and Cash Equivalents (Note A)	\$ 622,488	\$ -	\$ 622,488	\$ 658,981
Accounts Receivable (Note A)	60,651	-	60,651	11,906
Prepaid Expenses	2,585	-	2,585	3,584
TOTAL CURRENT ASSETS	685,724	-	685,724	674,471
PROPERTY AND EQUIPMENT				
Property and Equipment, net of accumulated depreciation of \$218,040 and \$206,155 in 2025 and 2024 (Notes A & C)	168,028	-	168,028	134,710
OTHER ASSETS				
Security Deposits	480	-	480	4,180
TOTAL ASSETS	<u>\$ 854,232</u>	<u>\$ -</u>	<u>\$ 854,232</u>	<u>\$ 813,361</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts Payable	\$ 1,803	\$ -	\$ 1,803	\$ 16,191
Accrued Recertification Fees (Note J)	47,800	-	47,800	42,800
TOTAL CURRENT LIABILITIES	49,603	-	49,603	58,991
NET ASSETS				
Without Donor Restrictions (Note A)	804,629	-	804,629	754,370
With Donor Restrictions (Note A)	-	-	-	-
TOTAL NET ASSETS	804,629	-	804,629	754,370
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 854,232</u>	<u>\$ -</u>	<u>\$ 854,232</u>	<u>\$ 813,361</u>

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



DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025 with Comparative Totals for the Year Ended June 30, 2024

	2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND OTHER SUPPORT				
Property Taxes	\$ 445,645	\$ -	\$ 445,645	\$ 430,988
In Lieu Payments	132,604	-	132,604	132,604
Event Sponsorship	13,494	-	13,494	19,000
Fundraisers and Other Event Revenues	25,362	-	25,362	31,540
ARPA Grant Income	79,069	-	79,069	-
TOTAL REVENUES AND OTHER SUPPORT	696,174	-	696,174	614,132
EXPENSES				
Program Services				
Economic Enhancements	274,592	-	274,592	308,595
Environmental Enhancements	250,361	-	250,361	236,304
Management Services	120,962	-	120,962	80,107
TOTAL EXPENSES	645,915	-	645,915	625,006
Release of restrictions on net assets with donor restrictions	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	50,259	-	50,259	(10,874)
NET ASSETS - BEGINNING OF YEAR	754,370	-	754,370	765,244
NET ASSETS - END OF YEAR	<u>\$ 804,629</u>	<u>\$ -</u>	<u>\$ 804,629</u>	<u>\$ 754,370</u>

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



DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2025 with Comparative Totals for the Year Ended June 30, 2024

	2025				2024 Total
	Program Services		Management Services	Total	
	Economic Enhancements	Environmental Enhancements			
EXPENSES					
Accounting	\$ -	\$ -	\$ 6,040	\$ 6,040	\$ 5,497
Advertising	417	-	83	500	-
Bank Charges	-	-	92	92	52
Business Meals	65	-	-	65	566
Depreciation	11,138	7,652	453	19,243	17,992
Dues and Subscriptions	-	-	430	430	-
Environmental Enhancements	-	16,244	-	16,244	-
Equipment Rental	6,000	1,770	-	7,770	1,688
Event Expenses	21,640	-	-	21,640	-
Event Sponsorship	49,383	1,500	5,000	55,883	38,375
Event Sponsorship-Donation	1,525	-	-	1,525	-
Executive Director (Note F)	-	-	43,750	43,750	-
Insurance	1,986	-	4,897	6,883	16,182
Legal	-	-	4,088	4,088	11,025
Lease Expenses (Notes A & E)	2,431	-	750	3,181	9,000
Licenses and Fees	14,495	-	4	14,499	7,029
Marketing	8,514	-	7,080	15,594	9,949
Meetings	-	-	-	-	975
Office	-	1,229	1,204	2,433	1,475
Outside Contract Services	145,945	219,053	39,627	404,625	489,634
Printing	3,780	-	329	4,109	1,528
Promotional	-	-	-	-	969
Recertification	-	-	5,000	5,000	5,000
Reimbursements	-	-	279	279	-
Supplies	7,273	2,913	1,540	11,726	8,070
Telephone	-	-	316	316	-
TOTAL EXPENSES	\$ 274,592	\$ 250,361	\$ 120,962	\$ 645,915	\$ 625,006

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



**DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2025 with Comparative Totals for the Year Ended June 30, 2024

	2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase (Decrease) in Net Assets	\$ 50,259	\$ -	\$ 50,259	\$ (10,874)
Adjustments to Reconcile Net Income to Net Cash				
Provided(Used) by Operating Activities:				
Depreciation	19,243	-	19,243	17,992
Cash Provided(Used) by Changes in:				
Accounts Receivable	(48,745)	-	(48,745)	165,192
Prepaid Expenses	999	-	999	(1,523)
Security Deposits	3,700	-	3,700	-
Accounts Payable & Accrued Expenses	(14,388)	-	(14,388)	(1,294)
Accrued Recertification Fees	5,000	-	5,000	5,000
CASH PROVIDED BY OPERATING ACTIVITIES	16,068	-	16,068	174,493
INVESTING ACTIVITIES				
Purchases of Property & Equipment	(52,561)	-	(52,561)	(3,853)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,493)	-	(36,493)	170,640
Cash and Cash Equivalents at Beginning of Year	658,981	-	658,981	488,341
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 622,488</u>	<u>\$ -</u>	<u>\$ 622,488</u>	<u>\$ 658,981</u>

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



DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE A-NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Downtown El Cajon Business Partners, Inc. dba Downtown El Cajon Promenade District (“The District”) was incorporated under the laws of the State of California on May 16, 2011. The District has adopted a June 30 fiscal year end for reporting requirements. The District was established as a Property Based Improvement District (PBID) under Article XIII(d) of the State Constitution. The purpose of a PBID is to allow a group of real property owners to assess themselves additional property taxes that is to be used to provide specific benefits for the properties and businesses located within the assessment district.

The District is governed by a board of real property owners pursuant to Section 36650 and 36651 of the Streets and Highway Code of the State of California.

2. Downtown El Cajon Business Partners, Inc. is a California nonprofit public benefit organization whose purpose is to create awareness about the downtown El Cajon, California area and its associated businesses with enhanced services including:
 - a. Economic Enhancements to keep and attract jobs, investment and new businesses to downtown El Cajon.
 - b. Environmental Enhancements to visually improve downtown El Cajon and provide added security.

3. Financial Statement Presentation-The District reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions-are part of the net assets that are not restricted by donor-imposed stipulations, and which are available, at the discretion of management and the Board of Directors for the District to utilize in any of its programs or supporting services.

Net Assets with Donor Restrictions-Net assets resulting from contributions and other inflows of assets whose use by the District is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the District pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the statement of activities and changes in net assets. The District had no net assets with donor restrictions as of June 30, 2025.

4. Cash & Cash Equivalents for purposes of the statement of cash flows, include cash on hand, cash in checking and savings accounts with banks. All short-term debt securities with a maturity of three months or less are considered cash equivalents.



DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE A-NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

5. Certificate of Deposits-A certificate of deposit totaling \$106,089 is included in cash in the accompanying financial statements as of June 30, 2025. The certificate bears interest at 3.68% and has a maturity of September 2025, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.
6. Accounts Receivable consisted primarily of amounts due from the City of El Cajon. Management determined that all receivables at year end are collectible. No allowance for doubtful accounts was considered necessary at June 30, 2025 and 2024.
7. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.
8. Revenue Recognition-Property Taxes represent assessments levied against property owners located within the district to provide the special benefits described in Note A2. The assessments are based on the square footage of the building and lots. The tax rates assessed are determined by the location of the real property within the district and the presumed benefits received, with those real properties receiving a greater benefit being charged a higher tax rate. Property tax revenue is recognized in the fiscal year that taxes are levied, provided that the taxes are received within 60 days of the end of the fiscal year. Property taxes received 60 days after year end or later are not considered available as a resource for the current year operations of the district and therefore are not recorded as revenue until collected. For the years ended June 30, 2025 and 2024, all levied property taxes were received within 60 days of the fiscal year end.

In Lieu Property Tax Payments represent payments received from the City of El Cajon, the County of San Diego and other state and federal governmental agencies on real estate owned by these governmental bodies within the District and that are not normally assessed property taxes on properties owned. The District records as revenue in the fiscal year earned. Any payments received in advance are recorded as deferred revenue until earned.

Event Sponsorship represents revenues received from special event sponsors and are recognized when earned.

Fundraisers and Other Event revenues represent revenues received from fund raising and special events and are recognized when earned.



DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE A-NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

American Rescue Plan Act (ARPA) Grant represents the District's subrecipient allocation from the City of El Cajon to whom the ARPA Grant was awarded. Revenues are recognized when claims for expenditures are submitted. The total subrecipient grant awarded to the District was \$300,000. During the year ended June 30, 2025, the District submitted \$79,069 in expenditure claims. The term of the agreement is from November 1, 2024 through June 30, 2026.

9. Concentration of Cash and Credit Risk-The District maintains deposits in financial institutions that at times may exceed the insured amount of \$250,000 provided by the U.S. Federal Deposit Insurance Corporation (FDIC). At year end, the District's uninsured cash balance totaled \$391,991.
10. Advertising Costs-The District follows the policy of charging the costs of advertising to expense as incurred. Advertising expenses were \$500 and \$-0- for the years ended June 30, 2025 and 2024, respectively.
11. Leases-Effective July 1, 2022, the District adopted the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02 "*Leases (Topic 842)*" and all related amendments. The District elected the practical expedients permitted under transition guidance to not reassess leases entered into prior to adoption. As permitted under ASC 842, the District made an accounting policy election to exempt leases with an initial term of 12 months or less from statement of financial position recognition. Instead, short-term leases are expensed over the lease term with no impact to the statement of financial position. Under this approach, operating leases are measured and recorded as operating leases as of July 1, 2022, and existing capital leases are carried over at their carrying value and classified as finance leases. The District's operating lease at June 30, 2025 is a short-term lease and has been elected to be exempt from statement of financial position recognition. The District had no finance leases as of June 30, 2025.
12. Property and Equipment are recorded at cost, or if donated, at approximate value at the date of the gift. The District's policy is to capitalize fixed asset purchases in excess of \$500. The straight line method of depreciation is followed for financial reporting purposes and for federal income tax purposes. Depreciation is provided in amounts sufficient to relate the cost of assets to operations over their estimated service lives or the lives of the respective leases, whichever is shorter. Maintenance and repairs are charged to expense. Gains and losses on dispositions are credited or charged to earnings as incurred. Depreciation is provided at rates based on the following estimated useful lives:

Leasehold Improvements	39 years
Furniture and Equipment	3-7 years

Depreciation expense for the years ended June 30, 2025 and 2024 totaled \$19,243 and \$17,992, respectively.



DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE A-NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

13. Functional Allocation of Expenses-Costs to provide various activities and programs have been summarized on a functional basis in the statement of functional expenses. Direct costs are allocated to the activities that incurred the costs. General and other certain costs are allocated among the programs that received the benefits.
14. Contributed Services-During the year ended June 30, 2025, the value of contributed services meeting the requirements for recognition in the financial statements were not material and have not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the district at its events, but these services do not meet the criteria for recognition as contributed services.
15. Fair Value of Financial Instruments-Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, "*Fair Value Measurements and Disclosures*", defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

Cash and Cash Equivalents, Accounts Receivable, Prepaid Expenses, Accounts Payable and Accrued Liabilities-The carrying amounts reported on the statement of financial position for these items are a reasonable estimate of fair value.

NOTE B-INCOME TAXES:

The District is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The District adopted the provisions of FASB ASC Topic 740-10, "*Income Taxes*" regarding accounting for uncertain income tax positions. Management is not aware of any tax positions that are more likely than no to change in the next 12 months, or that would sustain an examination by applicable taxing authorities.

The District recognizes penalties and interest arising from uncertain tax positions as incurred in the statement of activities, which totaled \$0 and \$0, during the years ended June 30, 2025 and 2024, respectively.

The federal and state income tax returns of the District are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.



DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2025

NOTE C-PROPERTY AND EQUIPMENT:

At June 30, 2025 and 2024, the District had the following property and equipment:

	2025	2024
Furniture & Equipment	\$ 257,086	\$ 248,475
Leasehold Improvements	88,400	92,390
Vehicle	40,582	-
Total	386,068	340,865
Accumulated Depreciation	(218,040)	(206,155)
Net Property & Equipment	\$ 168,028	\$ 134,710

NOTE D-SUBSEQUENT EVENT:

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through August 26, 2024, the date the financial statements were available to be issued. There were no subsequent events that requiring adjustments to and disclosures in the financial statements as of and for the year ended June 30, 2025.

NOTE E-LEASES:

As of June 30, 2025, the District leases storage facilities on a month-to-month basis. Lease rental expense totaled \$750 for the year ended June 30, 2025. The office lease is classified as short-term based on its terms.

NOTE F-DISTRICT MANAGEMENT:

Effective April 2025, the District entered into a Management Services Agreement with New City America, Inc. to provide professional management services of overseeing and administering the day-to-day operations, special benefit services and administrative functions of the District. For the year ended June 30, 2025, the District incurred \$43,750 in service fees related to this agreement.

NOTE G-RETIREMENT PLAN:

The District does not have any employees, and currently, does not sponsor any retirement plans.

NOTE H-NET ASSETS WITHOUT DONOR RESTRICTIONS:

The District has several board policies that affect the presentation of board designations on net assets. As of June 30, 2025, the Board of Directors designated self-imposed restrictions on the use of net assets without donor restrictions for the district recertification (Note J) in the amounts of \$47,800.



DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2025

NOTE I-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects Downtown El Cajon Business Partners, Inc. financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of donor or self-imposed restrictions.

Cash and Cash Equivalents	\$	622,488
Accounts Receivable		60,651
 Total Financial Assets		 683,139
 Subtract: Financial assets not available for general expenditures due to self-imposed restrictions		 47,800
 Financial assets available to meet cash needs for general expenditures within one year	 \$	 635,339

NOTE J-DISTRICT RECERTIFICATION/SIGNIFICANT EVENTS:

The El Cajon City Council adopted a resolution for the recertification of the El Cajon Property and Business Improvement District. The duration of the recertification is 10 years beginning on January 1, 2017. The Board of Directors hired New City America, Inc. in April 2025 to administer the District and begin the recertification of Downtown El Cajon Business Partners, Inc.

Management has estimated recertification costs to be as much as \$65,000 and is accruing \$5,000 per year toward these costs.

NOTE K-FAIR VALUE MEASUREMENTS:

FASB ASC Topic 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC Topic 820, the following summarizes the fair value hierarchy:

Level 1 Inputs—Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs—Inputs other than the quoted prices in active markets that are observable either directly or indirectly.



DOWNTOWN EL CAJON BUSINESS PARTNERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE K-FAIR VALUE MEASUREMENTS-CON'T:

Level 3 Inputs—Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC Topic 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of June 30, 2025, there were no assets and liabilities measured at fair value.

NOTE L-NEW ACCOUNTING STANDARDS:

In March 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*", which provides guidance for accounting for leases. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or on straight-line basis over the term of the lease. Accounting for lessors remains largely unchanged from current GAAP.

Effective July 1, 2022, the District adopted the requirements of ASU 2016-02 and all related amendments. The impact of the adoption of ASU 2016-02 in the District's financial statements are presented in Notes A & E.

