

LITTLE ITALY ASSOCIATION
Financial Statements
For The Year Ended June 30, 2012
And
Independent Auditors' Report

LITTLE ITALY ASSOCIATION

Financial Statements

June 30, 2012

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INDEPENDENT AUDITORS' REPORT


To the Board of Directors
Little Italy Association

We have audited the accompanying statement of financial position of Little Italy Association (a Non-Profit Organization) as of June 30, 2012, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based upon 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Italy Association as of June 30, 2012, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 8 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Guerrero, Jimenez, Diaz & Co LLP
Certified Public Accountants

San Diego, California
November 30, 2012

Little Italy Association
Statement of Financial Position
For the Year Ended June 30, 2012

ASSETS

Current Assets

Cash in Banks (note 3)	297,809
Investment (note 5)	9,768
Accounts Receivable (note 4)	44,108
Total Current Assets	351,685

Property & Equipment

Vehicles	31,759
Equipment	41,826
Leasehold Improvements	24,127
Less Accumulated Depreciation	(61,601)
Total Fixed Assets	36,111

Total Assets

387,796

LIABILITIES & NET ASSETS

Liabilities

Accounts Payable	29,814
Advance from the City of San Diego and Civic San Diego (note 6)	30,000
Current Portion of Notes Payable (note 8)	5,955
Total Current Liabilities	65,769

Long Term Liabilities

Notes Payable (note 8)	672
Total Long Term Liabilities	672

Total Liabilities

66,441

Net Assets

Unrestricted	321,355
Permanently Restricted (note 2)	-
Total Net Assets	321,355

Total Liabilities & Net Assets

387,796

See Accountant's accompanying notes and report.

Little Italy Association
Statement of Activities
For the Year Ended June 30, 2012

CHANGES IN UNRESTRICTED NET ASSETS:

Revenue

Assessment District and Public:

SBEP - (Public)	\$ 18,989
BID Reimbursement - (Assessment)	92,505
MAD Reimbursement - (Assessment)	776,200
Parking District Reimbursement - (Public)	231,504
City and County Grants for Festa Event - (Public)	29,576
City funding for Programs & Other Events - (Public)	28,932
Total Assessment District and Public	1,177,706

Non Assessment Non-Public Funding

Festa Event, Excluding Government Grants	64,301
Mercato	413,749
Other Events and Programs	189,257
Interest Income	95
Other Income	2,432

Total Revenue	1,847,540
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Expenses:

Program & Event Expenses	1,628,548
General & Administrative	98,453
Total Program, Event & General & Administrative Expenses	1,727,001

Prior Year Adjustment - Reclassification from Permanently Unrestricted Net Assets (note 2)

	10,000
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Increase in Unrestricted Net Assets

	130,539
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:

Prior Year Adjustment - Reclassification to Unrestricted Net Assets (note 2)	(10,000)
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Decrease in Permanently Restricted Net Assets

	(10,000)
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Increase in Net Assets

	120,539
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Net Assets, Beginning of Year

	200,816
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Net Assets, End of Year

	\$ 321,355
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Little Italy Association
Statement of Cash Flows
For the Year Ended June 30, 2012

Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 120,539
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	5,391
Decrease in Accounts Receivable	6,238
Decrease in Accounts Payable	<u>(9,697)</u>
Total Adjustments	<u>1,932</u>
Net Cash Provided by Operating Activities	<u>122,471</u>
Cash Flows from Investing Activities	
Tenant Improvements	(24,127)
Investment - San Diego Foundation	232
Net Cash Used by Investing Activities	<u>(23,895)</u>
Cash Flows from Financing Activities	
Repayment of Loans	(5,335)
Net Cash used by Financing Activities	<u>(5,335)</u>
Net Increase/(Decrease) in Cash	93,241
Cash at Beginning of Period	<u>204,568</u>
Cash at End of Period	<u>\$ 297,809</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Payments	<u>\$ 1,142</u>

See Accountant's accompanying notes and report.

LITTLE ITALY ASSOCIATION
Notes to Financial Statements
June 30, 2012

NOTE 1 - Summary of Significant Accounting Policies

Nature of Organization

Little Italy Association (L.I.A.) (the Association) is a public benefit non-profit organization dedicated to improve, promote, and foster the Little Italy district a 48 block area located in west downtown San Diego, through programs, events and activities. The Organization was incorporated on December 3, 1998. It represents businesses in the area as well as property owners and residents, in the areas of public safety, beautification, promotion and economic development in the community.

Financial Statement Presentation

The Association has adopted the provisions of the FASB Accounting Standards Codification No.958 (ASC 958), "Not-For-Profit-Entities" (Formerly Statement of Financial Accounting Standards No. 116 and No. 117). ASC 958, establishes standards for general-purpose external financial statements provided by non-for-profit organizations, in order to enhance the relevance, understandability, and comparability of financial statements issued by those organizations. ASC 958 also requires that net assets and revenue, gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted, as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Association
- Temporarily restricted net assets consist of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Association pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted net assets consist of contributions subject to donor-imposed stipulations that they be maintained permanently by the Association.

Property and Equipment

Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, which are generally 5 years.

Income tax status

The Association was organized as a non-profit organization under section 501 (c)(3) of the Internal Revenue Code and similar California law, and it is not subject to income taxes on related business income, however it is subject to income taxes on unrelated business income.

Revenues

Little Italy Association is funded principally through the administration of two contracts with the City of San Diego (special assessment districts BID and MAD), and the administration of one contract with the Civic San Diego (formerly Centre City Development Corp., a city government agency for the Community Parking District). Additional funds are generated from special projects and special events.

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 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 these estimates.

NOTE 2 – Adjustment to Prior Years

There is a reclassification from Permanently Restricted Net Assets to Unrestricted Net Assets of \$10,000 related to the funds invested at the San Diego Foundation (see note 5). In prior years it was presented as Permanently Restricted Funds, but those funds were received by the Association without any restriction.

NOTE 3 – Cash in Banks

Cash in banks are listed as follows:

Checking – B.I.D.	\$ 15,751
Checking – MAD	161,263
Savings Account	66,195
Checking – Mercato Account	1,880
Checking – Special Events	51,847
Checking – Payroll	311
Checking – Parking District	<u>562</u>
Total Cash in Banks	<u>297,809</u>

NOTE 4 – Accounts Receivable

The balance of accounts receivable is comprised of the following;

Parking District	\$38,208
Other	<u>5,900</u>
Total	<u>44,108</u>

NOTE 5 – Investment

The Association, in May 22, 2008, entered into a Fund Agreement with the San Diego Foundation (“SDF”) and transferred an amount of \$10,000 (“the funds”) to the SDF to create an agency endowment fund. Income from the invested funds will provide support to build upon the cultural heritage of Little Italy, beautify the neighborhood, maintain order, increase commerce and instill a sense of civic duty among its businesses, residents and property owners. The Association maintains control for the funds, and can request the SDF for the withdrawal of such funds.

The balance of this investment is \$9,768 as of June 30, 2012, net of income and expenses.

Note 6 – Advances from the City of San Diego

The Association has \$10,000 of unexpended funds on hand related to the May 2009 MAD reimbursement request, that the Association will deduct from future MAD expense reimbursement requests.

The Association also received \$20,000 in August 2009 from Civic San Diego of Parking funds to meet current Parking related expenses, that were not expended and will be deducted from future Parking expense reimbursement request.

Note 7 – Lease Agreement

On September 1, 2011 the Association entered into a sublease agreement for a term of five years ending August 31, 2016, office space with New City America (related party, see note 10) as the sub-lessor, for premises located at 710 West Ivy Street and 2210 Columbia Street, San Diego, California, 92101.

The rent relationship to New City America is a master lease – sublease relationship for above mentioned office space as well for the adjacent parking lot and basement. The master lease – sublease arrangement was a condition of the master lease by the landlord.

The sublease agreement stipulates that the Association will pay 43% of the base rent and other items such as property taxes, utilities per the Master Lease. The current monthly rent paid to New City America is \$2,207.90. The sub-lease term is for five years ending on August 31, 2016.

NOTE 8 – Notes Payable

Note payable to California Bank and Trust with a 48 monthly Installments of \$294 of principal and interest, through July 10, 2013; with an interest rate of 8.02%. Proceeds used to purchase a 2006 Ford pick-up.

\$ 3,610

Note payable to US Bank with 60 monthly installments of \$212 of principal and interest, through September 23, 2013; with an interest rate of 7.75%. Proceeds used to purchase a 2007 Ford pick-up.

3,017

Total notes payable as of June 30, 2012

6,627

Less current portion as of June 30, 2012

5,955

Long-term portion as of June 30, 2012

\$ 672

NOTE 9 – Commitment

Pursuant to a Request for Proposal the Board of the Association renewed on July 1, 2012 the contract with New City America, Inc. for an additional three years, to administer the Association's assessment districts, community parking program, special projects and special events through June 30, 2015. The contract stipulates that the annual payments to New City America will range between \$335,000 and \$385,000 for its services of administering the BID, MAD and Community Parking contracts and other Association's activities. Also see note 7 – lease agreement and note 10 – related parties.

NOTE 10 – Related Parties

The Association, during the year June 30, 2012 paid New City America Inc. \$103,997 to administer the BID contract and all other Association's activities (non-Mad, non-parking, and non-Festa), \$115,839 to administer the MAD contract, \$36,000 to administer the Community Parking Program, \$20,000 for special event coordination, \$23,756 for lease of space (see note 7), \$4,636 for Holiday Decoration and Preserve Little Italy, \$1,150 for holiday bonuses, and \$8,953 for expense reimbursement. The Association's Chief Executive Administrator is also the President and owner of New City America, Inc.

LITTLE ITALY ASSOCIATION
Statement of Functional Expenses
For the Year Ended June 30, 2012

	<u>PROGRAM & EVENTS</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>TOTAL</u>
Administration of MAD Contract	\$ 99,310	\$ 17,525	\$ 116,835
Administration of BID Contract and Association's Activities	88,000	15,000	103,000
Personnel Costs for MAD employees:			
Salaries	367,719		367,719
Bonuses	3,150		3,150
Workers' Compensation Insurance	50,974		50,974
Medical & Dental Benefits	36,811		36,811
Payroll Taxes & Processing Fees	40,901		40,901
Transportation Allowance	47		47
Event/Program Expenses			
Festa	65,329		65,329
Mercato	243,684		243,684
Parking	187,665		187,665
Other	84,033		84,033
Auto Expenses	32,085		32,085
Bank Charges	2,052		2,052
Banner Expense	5,434		5,434
Cleaning and Janitorial Supplies	31,384		31,384
Depreciation	5,391		5,391
Donations	8,975		8,975
Dues & Subscriptions	1,961		1,961
Dumpster Services	12,659		12,659
Equipment	6,896		6,896
Equipment Rental	15,914		15,914
Insurance	16,189		16,189
Interest Expense	1,142		1,142
Licenses, Permits & Taxes	-	24,741	24,741
Marketing & Promotion	45,445		45,445
Meals & Entertainment	5,889		5,889
Miscellaneous	16,969	11,448	28,417
Nursery Supplies & Tree Maintenance	18,808	-	18,808
Office Move	6,670	12,678	19,348
Office Supplies	14,946	1,340	16,286
Postage & Printing	23,055	5,764	28,819
Professional Services	8,787	-	8,787
Rent	27,245	5,693	32,938
Security Services	302	-	302
Storage	10,622		10,622
Street Cleaning & Beautification	21,978		21,978
Taxes	1,199		1,199
Telephone	6,690	1,672	8,362
Uniforms	1,872		1,872
Utilities	10,366	2,592	12,958
Total Expenses	\$ <u>1,628,548</u>	\$ <u>98,453</u>	\$ <u>1,727,001</u>