

LITTLE ITALY ASSOCIATION
Financial Statements
For The Year Ended June 30, 2014
And
Independent Auditors' Report

LITTLE ITALY ASSOCIATION
Financial Statements
June 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Little Italy Association

We have audited the accompanying financial statements of Little Italy Association (a Non-Profit Organization), which comprise of the statement of financial position as of June 30, 2014, and the related statement of activities and cash flows 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Italy Association as of June 30, 2014, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



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

San Diego, California
December 16, 2014

Little Italy Association
Statement of Financial Position
For the Year Ended June 30, 2014

ASSETS

Current Assets

Cash in Banks (note 2)	299,035
Investment (note 4)	11,326
Accounts Receivable (note 3)	207,251
Total Current Assets	517,612

Property & Equipment

Vehicles	41,826
Equipment	46,759
Leasehold Improvements	24,127
Less Accumulated Depreciation	(79,287)
Total Fixed Assets	33,425

Total Assets

551,037

LIABILITIES & NET ASSETS

Liabilities

Accounts Payable	26,984
Advance from the City of San Diego and Civic San Diego (note 5)	191,500
Current Portion of Notes Payable (note 7)	5,087
Total Current Liabilities	223,571

Long Term Liabilities

Notes Payable (note 7)	3,684
Total Long Term Liabilities	3,684

Total Liabilities

227,255

Net Assets

Unrestricted	323,782
Total Net Assets	323,782

Total Liabilities & Net Assets

551,037

See Accountant's accompanying notes and report.

Little Italy Association
Statement of Activities
For the Year Ended June 30, 2014

CHANGES IN UNRESTRICTED NET ASSETS:

Revenue

Assessment District and Public:

SBEP - (Public)	\$ 20,998
BID Reimbursement - (Assessment)	99,498
MAD Reimbursement - (Assessment)	759,151
Parking District Reimbursement - (Public)	364,578
City and County Grants for Festa Event - (Public)	29,130
City funding for Programs & Other Events - (Public)	-
Total Assessment District and Public	1,273,355

Non Assessment Non-Public Funding

Festa Event, Excluding Government Grants	51,862
Mercato	482,087
Other Events and Programs	241,598
Interest Income	147
Other Income	3,709

Total Revenue	2,052,758
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Expenses:

Program & Event Expenses	1,927,847
General & Administrative	80,844
Total Program, Event & General & Administrative Expenses	2,008,691

Increase in Unrestricted Net Assets	44,067
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Increase in Net Assets	44,067
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Net Assets, Beginning of Year	279,715
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Net Assets, End of Year	\$ 323,782
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Little Italy Association
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 44,067
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	9,726
Increase in Endowment Fund	(1,558)
Increase in Accounts Receivable	(99,352)
Increase in Accounts Payable	6,875
Total Adjustments	<u>(84,309)</u>
Net Cash Provided by Operating Activities	<u>(40,242)</u>
Cash Flows from Investing Activities	
	-
	<u>-</u>
Net Cash Used by Investing Activities	
	<u>-</u>
Cash Flows from Financing Activities	
Repayment of Loans	(6,126)
	<u>(6,126)</u>
Net Cash used by Financing Activities	
	<u>(6,126)</u>
Net Increase/(Decrease) in Cash	(46,368)
Cash at Beginning of Period	<u>345,403</u>
Cash at End of Period	<u>\$ 299,035</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Payments	<u>\$ 734</u>

See Accountant's accompanying notes and report.

LITTLE ITALY ASSOCIATION
Notes to Financial Statements
June 30, 2014

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 financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Corporation classifies their net assets and changes in net assets 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 organization has been granted exemption from federal income tax under Section 501(c) 3 of the Internal Revenue Code and similar California law under Sections 9910-9927 of the Corporation codes and is not subject to income taxes on related business income. Management of the organization has evaluated its tax position and related income tax contingencies. Management does not believe that any material uncertain tax position exists. The association generally is no longer subject to income tax examinations by federal authorities for the years ending June 30, 2010 and before and by state authorities for years ending June 30, 2009 and before.

Revenues Recognition

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.

Basis of Accounting

The financial statements of the organization are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Time deposits with maturity date of three or less months are considered to be cash equivalents.

NOTE 2 – Cash in Banks

Cash in banks are listed as follows:

Checking – B.I.D.	\$ 7,702
Checking – MAD	48,080
Savings Account	166,780
Checking	203
Checking – Mercato Account	534
Checking – Special Events	71,113
Checking – Payroll	2,679
Checking – Parking District	<u>1,944</u>
Total Cash in Banks	<u>299,035</u>

NOTE 3 – Accounts Receivable

The balance in accounts receivable of \$207,251 as of June 30, 2014, represent the unpaid claims submitted to the City of San Diego for expenditures incurred through June 30, 2014 and other receivables as follows:

Parking District	\$91,001
MAD	115,500
Other	<u>750</u>
Total	<u>207,251</u>

NOTE 4 – 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 balance of this investment is \$11,326 as of June 30, 2014, net of income and expenses.

Note 5 – Advances from the City of San Diego

The Association has \$130,000 of funds on hand related to the MAD reimbursement request that the Association will deduct from future MAD expense reimbursement requests. The Association also received \$61,500 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 6 – Lease Agreement

On September 1, 2011 the Association entered into a sublease agreement for a term of five years ending August 31, 2016, of office space with the Wosk Trust and master leaseholder tenant 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 7 – Notes Payable

Note payable to City National Bank with a 36 monthly installments Of \$462.02 of principal and interest, through February 1, 2016; with an interest rate of 5.5%. Proceeds were used to purchase a cleaning machine.	<u>\$ 8,771</u>
Total notes payable as of June 30, 2013	8,771
Less current portion as of June 30, 2013	<u>5,087</u>
Long-term portion as of June 30, 2013	<u>\$ 3,684</u>

NOTE 8 – 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 6 – lease agreement and note 9 – related parties.

NOTE 9 – Related Parties

The Association, during the year June 30, 2013 paid New City America Inc. \$192,775 to administer the BID contract and all other Association's activities (non-Mad, non-parking, and non-Festa), \$122,753 to administer the MAD contract, \$70,999 to administer the Community Parking

Program, \$28,954 for lease of space and building repairs (see note 6). The Association's Chief Executive Administrator is also the President and owner of New City America, Inc. The Association and Executive Administrator is not a board member and does not vote on any board issues.

Note 10 – Subsequent Events

Subsequent events have been evaluated through December 16, 2014, which is the date the financial statements were available to be issued.

LITTLE ITALY ASSOCIATION
Statement of Functional Expenses
For the Year Ended June 30, 2014

	<u>PROGRAM & EVENTS</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>TOTAL</u>
Administration of MAD Contract	\$ 103,700	\$ 18,300	\$ 122,000
Administration of BID Contract and Association's Activities	162,350	28,650	191,000
Personnel Costs for MAD employees:			
Salaries	498,043		498,043
Bonuses	4,000		4,000
Workers' Compensation Insurance	46,170		46,170
Medical & Dental Benefits	33,655		33,655
Payroll Taxes & Processing Fees	71,063		71,063
Transportation Allowance	-		-
Event/Program Expenses			
Festa	44,000		44,000
Mercato	322,590		322,590
Parking	157,677		157,677
Other	60,799		60,799
Auto Expenses	31,216		31,216
Bank Charges	4,565		4,565
Banner Expense	8,834		8,834
Cleaning and Janitorial Supplies	36,269		36,269
Depreciation	9,726		9,726
Donations	6,281		6,281
Dues & Subscriptions	840		840
Dumpster Services	11,582		11,582
Equipment	6,834		6,834
Equipment Rental	4,997		4,997
Insurance	38,571		38,571
Interest Expense	734		734
Licenses, Permits & Taxes	-	23,657	23,657
Marketing & Promotion	56,024		56,024
Miscellaneous	3,724	657	4,381
Nursery Supplies & Tree Maintenance	22,373		22,373
Office Supplies	7,020		7,020
Postage & Printing	4,824	851	5,675
Professional Services	47,116		47,116
Rent	24,951	4,403	29,354
Special Projects	40,756		40,756
Storage	12,547		12,547
Street Cleaning & Beautification	10,576		10,576
Taxes	-		-
Telephone	9,821	1,733	11,554
Uniforms	1,897		1,897
Utilities	21,723	2,592	24,315
Total Expenses	<u>\$ 1,927,847</u>	<u>\$ 80,844</u>	<u>\$ 2,008,691</u>

See accountant's accompanying notes and report.