

**LITTLE ITALY ASSOCIATION**  
Financial Statements  
For The Year Ended June 30, 2015  
And  
Independent Auditors' Report

**LITTLE ITALY ASSOCIATION**  
Financial Statements  
June 30, 2015

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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, 2015, 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, 2015, 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  
January 6, 2016

**Little Italy Association**  
Statement of Financial Position  
For the Year Ended June 30, 2015

**ASSETS**

**Current Assets**

Cash in Banks (note 2)	269,294
Inventory	4,087
Investment (note 4)	10,963
Accounts Receivable (note 3)	204,415
Total Current Assets	488,759

Property & Equipment

Vehicles	29,961
Equipment	60,342
Leasehold Improvements	29,077
Less Accumulated Depreciation	(47,168)
Total Fixed Assets	72,212

**Total Assets**

560,971

**LIABILITIES & NET ASSETS**

**Liabilities**

Accounts Payable	30,884
Advance from the City of San Diego and Civic San Diego (note 5)	141,500
Notes Payable (note 7)	3,140
Total Current Liabilities	175,524

**Total Liabilities**

175,524

**Net Assets**

Unrestricted	385,447
<b>Total Net Assets</b>	385,447

**Total Liabilities & Net Assets**

560,971

See Accountant's accompanying notes and report.

**Little Italy Association**  
Statement of Activities  
For the Year Ended June 30, 2015

**CHANGES IN UNRESTRICTED NET ASSETS:**

Revenue

Assessment District and Public:

SBEP - (Public)	\$ 20,919
BID Reimbursement - (Assessment)	100,970
MAD Reimbursement - (Assessment)	825,853
Parking District Reimbursement - (Public)	380,271
City and County Grants for Festa Event - (Public)	<u>30,447</u>
Total Assessment District and Public	<u>1,358,460</u>

Non Assessment Non-Public Funding

Festa Event, Excluding Government Grants	33,000
Mercato	598,706
Other Events and Programs	240,989
Interest Income	204
Other Income	5,412

Total Revenue	<u>2,236,771</u>
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**Expenses:**

Program & Event Expenses	2,091,342
General & Administrative	<u>83,764</u>
Total Program, Event & General & Administrative Expenses	<u>2,175,106</u>

<b>Increase in Unrestricted Net Assets</b>	61,665
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<b>Increase in Net Assets</b>	<u>61,665</u>
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<b>Net Assets, Beginning of Year</b>	323,782
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<b>Net Assets, End of Year</b>	<u><u>\$ 385,447</u></u>
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**Little Italy Association**  
**Statement of Cash Flows**  
For the Year Ended June 30, 2015

<b>Cash Flows from Operating Activities:</b>	
Increase in Net Assets	\$ 61,665
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	8,005
Increase in Inventory	(4,087)
Decrease in Endowment Fund	363
Decrease in Accounts Receivable	2,836
Decrease in Advance from the City	(50,000)
Increase in Accounts Payable	3,900
Total Adjustments	<u>(38,983)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>22,682</u>
<b>Cash Flows from Investing Activities</b>	
Funds used in Purchase of Equipment	(46,792)
<b>Net Cash Used by Investing Activities</b>	<u>(46,792)</u>
<b>Cash Flows from Financing Activities</b>	
Funds used in the Repayment of Loan	(5,631)
<b>Net Cash used by Financing Activities</b>	<u>(5,631)</u>
Net Increase/(Decrease) in Cash	(29,741)
Cash at Beginning of Period	<u>299,035</u>
Cash at End of Period	<u>\$ 269,294</u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Interest Payments	\$ <u>127</u>

See Accountant's accompanying notes and report.

**LITTLE ITALY ASSOCIATION**  
Notes to Financial Statements  
June 30, 2015

**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

Financial statement presentation follows the FASB Accounting Standards Codification No. 958 (ASC 958), "Not-For-Profit Entities" (Formerly Statement of Financial Accounting Standards No. 116 and No. 117). Under ASC 958, the organization is required to record and report information regarding its financial position and activities according to three classes of net assets:

- 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 3 to 10 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.	\$ 11,658
Checking – MAD	7,346
Savings Account	203,347
Checking – Mercato Account	101
Checking – Special Events	36,263
Checking – Payroll	2,824
Checking – Parking District	<u>7,755</u>
Total Cash in Banks	<u>269,294</u>

**NOTE 3 – Accounts Receivable**

The balance in accounts receivable of \$204,415 as of June 30, 2015, represent the unpaid claims submitted to the City of San Diego for expenditures incurred through June 30, 2015 and other receivables as follows:

Parking District	\$68,337
MAD	132,853
Other	<u>3,225</u>
Total	<u>204,415</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 Association maintains control for the funds, and can request the SDF for the withdrawal of such funds. The balance of this investment is \$10,963 as of June 30, 2015, net of income and expenses.

**Note 5 – Advances from the City of San Diego**

The Association has \$80,000 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 9) 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 \$2,340. 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 of principal and interest, through February 1, 2016; with an interest rate of 5.5%. Proceeds were used to purchase a cleaning machine.

	3,140
Less current portion as of June 30, 2015	<u>3,140</u>
Long-term portion as of June 30, 2015	<u>\$ 0</u>

**NOTE 8 – Commitment**

The three year contract with New City America, Inc, to administer the Association's assessments districts, community parking, special projects and special events ended on June 30, 2015.

New City America, Inc. is providing the administration of the Association's above mentioned activities subsequent to June 30, 2015.

The Association is currently reviewing an Administration Services Agreement with New City America, Inc. for the above mentioned Association's activities to start on April 1<sup>st</sup>, 2016, that will remain in effect until and unless either party gives the other for any reason or no reason, at least sixty days notice of the party's intent to terminate the Agreement, or if there is a breach of the terms of the Agreement.

The Agreement under review stipulates that the annual payments to New City America, Inc, will be \$400,000 for its services of administering the BID, MAD and Community Parking contracts and additional payments for the other Association's events and special projects.

See note 9 – Related Parties, below.

**NOTE 9 – Related Parties**

The Association, during the year June 30, 2015 paid New City America Inc. \$170,581 to administer the BID contract and all other Association's activities (non-MAD, non-parking, and non-Festa), \$20,919 from the SBEP contract to partially pay to administer the BID and all other Association's activities (non-MAD, non-parking, and non-Festa), \$122,000 to administer the MAD contract, \$52,000 to administer the Community Parking Program, \$28,616 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.

**Note 10 – Subsequent Events**

Subsequent events have been evaluated through January 6, 2016, which is the date the financial statements were available to be issued.

**Note 11 – Pending Lawsuit**

Little Italy Association, Inc. is one of the nonprofit organization named as defendants in a lawsuit filed by San Diegans for Open Government (Plaintiff/Petitioner) on June 15, 2015. This lawsuit challenges 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. The Association is working with its lawyer to defend this lawsuit.

**LITTLE ITALY ASSOCIATION**  
Statement of Functional Expenses  
For the Year Ended June 30, 2015

	<u>PROGRAM &amp; EVENTS</u>	<u>GENERAL &amp; ADMINISTRATIVE</u>	<u>TOTAL</u>
Administration of MAD Contract	\$ 103,700	\$ 18,300	\$ 122,000
Administration of BID Contract and Association's Activities	162,774	28,725	191,499
Personnel Costs for MAD employees:			
Salaries	583,517		583,517
Bonuses	9,255		9,255
Workers' Compensation Insurance	47,393		47,393
Medical & Dental Benefits	28,222		28,222
Payroll Taxes & Processing Fees	67,654		67,654
Event/Program Expenses			
Festa	44,000		44,000
Mercato	361,583		361,583
Parking	231,365		231,365
Other	48,856		48,856
Auto Expenses	34,138		34,138
Bank Charges	3,081		3,081
Banner Expense	4,054		4,054
Cleaning and Janitorial Supplies	27,437		27,437
Depreciation	8,005		8,005
Donations	2,400		2,400
Dues & Subscriptions	840		840
Dumpster Services	12,018		12,018
Equipment	1,796		1,796
Equipment Rental	3,043		3,043
Insurance	49,504		49,504
Interest Expense	127		127
Licenses, Permits & Taxes	-	25,485	25,485
Marketing & Promotion	37,079		37,079
Miscellaneous	10,895	1,923	12,818
Nursery Supplies & Tree Maintenance	16,420		16,420
Office Supplies	8,586		8,586
Postage & Printing	3,562	629	4,190
Professional Services	44,145		44,145
Rent	25,650	4,526	30,176
Special Projects	46,128		46,128
Storage	15,629		15,629
Street Cleaning & Beautification	15,410		15,410
Taxes	-		-
Telephone	8,978	1,584	10,562
Uniforms	1,890		1,890
Utilities	22,209	2,592	24,801
<b>Total Expenses</b>	<b>\$ <u>2,091,342</u></b>	<b>\$ <u>83,764</u></b>	<b>\$ <u>2,175,106</u></b>

See accountant's accompanying notes and report.