LITTLE ITALY ASSOCIATION OF SAN DIEGO

Financial Statements

For The Year Ended June 30, 2025

And

Independent Auditors' Report

LITTLE ITALY ASSOCIATION OF SAN DIEGO
Financial Statements
June 30, 2025

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Guerrero, Jimenez, Diaz
& Co. LLP
A Certified Public Accounting Firm

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Little Italy Association of San Diego

Opinion

We have audited the accompanying financial statements of Little Italy Association of San Diego (a Non-Profit Association), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, 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 Little Italy Association of San Diego 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 Little Italy Association of San Diego 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 Little Italy Association of San Diego'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

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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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 judgement 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Little Italy Association of San Diego'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 Little Italy Association of San Diego'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.

Guerrero, Jimenez, Diaz & Co LLP

Guerrero, Jimenez, Diaz & Co., LLP
Certified Public Accountants
Victor M. Diaz, CPA
California License #86352
San Diego, California
July 23, 2026

LITTLE ITALY ASSOCIATION OF SAN DIEGO
Statements of Financial Position
June 30, 2025

ASSETS

Current Assets		
Cash in Banks	$	439,051
Accounts Receivable		103,135
Investments (Note 4)		138,190
Total Current Assets		680,376
Property & Equipment		
Vehicles		106,215
Equipment		161,129
Web Design Cost		22,400
Leasehold Improvements		59,177
Less Accumulated Depreciation		(290,565)
Total Fixed Assets		58,356
Other Assets		
Employee Retention Credit Receivable		164,117
Right-of-use Assets (Note 5)		27,757
Rent Deposit		8,967
Total Other Assets		200,841
Total Assets	$	939,573

LIABILITIES & NET ASSETS

Liabilities:		
Accounts Payable	$	41,562
Lease Liabilities (Note 5)		27,757
Mercato Insurance Accrual		8,333
Accrued Interest Liability		2,916
Total Current Liabilities		80,568
Long Term Liabilities		
Economic Injury Disaster Loan - EIDL (Note 12)		144,336
Total Long Term Liabilities		144,336
Total Liabilities		224,904
Net Assets		
Without donor restrictions:		
Undesignated		693,468
With donor restrictions		21,201
Total Net Assets		714,669
Total Liabilities & Net Assets	$	939,573

LITLLE ITALY ASSOCIATION OF SAN DIEGO
Statement of Activities and changes in Net Assets
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenue			
Assessment District and Public:			
SBEP - (Public)	$ -	$ 39,352	$ 39,352
BID Reimbursement - (Assessment)	99,447		99,447
MAD Reimbursement - (Assessment)	1,445,024		1,445,024
Government Grants Revenue	-	85,678	85,678
Net Assets Released from Restrictions	159,030	(159,030)	-
Parking District Reimbursement - (Public)	104,687	-	104,687
Total Assessment District and Public	1,808,188	(34,000)	1,774,188
Non Assessment Non-Public Funding			
Maintenance Non-Assessment	116,411	-	116,411
Other Events and Programs	1,624,032	-	1,624,032
Employee Rentantion Tax Credit		-	-
Other Income	1,955	-	1,955
Total Revenue	3,550,586	(34,000)	3,516,586
Expenses:			
Program & Event Expenses	3,645,358	-	3,645,358
General & Administrative	73,792	-	73,792
Total Program, Event & General & Administrative Expenses	3,719,150	-	3,719,150
Increase/ (Decrease) in Net Assets	(168,564)	(34,000)	(202,564)
Increase/ (Decrease) in Net Assets	(168,564)	(34,000)	(202,564)
Net Assets, Beginning of Year	862,032	55,201	917,233
Net Assets, End of Year	$ 693,468	$ 21,201	$ 714,669

LITTLE ITALY ASSOCIATION OF SAN DIEGO
Statement of Functional Expenses
For the Year Ended June 30, 2025

	PROGRAM & EVENTS	GENERAL & ADMINISTRATIVE	TOTAL
Administration of MAD Contract	$ 51,000	$ 9,000	$ 60,000
Administration of BID Contract and Associtation's Activities	278,741	49,190	327,931
Personnel Costs for MAD Employees:			
Salaries	866,752	-	866,752
Bonuses	9,616	-	9,616
Workers' Compensation Insurance	78,879	-	78,879
Medical & Dental Benefits	84,694	-	84,694
Payroll Taxes & Processing Fees	71,149	-	71,149
Event/Program Expenses			
Program	468,323		468,323
Mercato	728,561	-	728,561
Parking	206,615	-	206,615
SBEP	33,628	-	33,628
Auto Expenses	54,766	-	54,766
Bank Charges	610	-	610
Cleaning and Janitorial Supplies	69,553	-	69,553
Depreciation	20,207	-	20,207
Dues & Subscriptions	1,114	-	1,114
Dumpster Services	40,083	-	40,083
Equipment	16,664	-	16,664
Equipment Rental	674	-	674
Insurance	150,062	-	150,062
Licenses, Permits & Taxes	17,933	1,993	19,926
Marketing & Promotion	21,631	-	21,631
Meals & Entertainment	611	-	611
Nursery Supplies & Tree Maintenance	69,492	-	69,492
Office Supplies	30,896	-	30,896
Postage & Printing	5,290	588	5,878
Professional Services	35,922	-	35,922
Rent	20,336	2,260	22,596
Repairs & Maintenance	77,798	-	77,798
Storage	7,900	-	7,900
Street Cleaning & Beautification	3,500	-	3,500
Telephone	6,822	758	7,580
Uniforms	2,439	-	2,439
Utilities	70,577	7,842	78,419
Website	19,466	2,163	21,629
Contingency	23,052	-	23,052
Total Expenses	$ 3,645,358	$ 73,792	$ 3,719,150

See accountant's accompanying notes and report.

LITTLE ITALY ASSOCIATION OF SAN DIEGO
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash Flows from Operating Activities:		
Increase in Net Assets	$	(202,564)
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense		20,207
(Increase)/Decrease in Accounts Receivable		(60,501)
(Increase)/Decrease in Investment		31,000
Increase/(Decrease) in Account Payable		(108,189)
Increase/(Decrease) in Accrued Insurance		4,166
Increase/(Decrease) in Payroll Liabilities		(178)
Increase/(Decrease) in Accrued Interest Liability		(5,540)
Increase/(Decrease) in Advance from Bollard Program		(33,569)
Total Adjustments		(152,604)
Net Cash Provided by Operating Activities		(355,168)
Cash Flows from Investing Activities		
Equipment purchase		(33,798)
Net Cash Used by Investing Activities		(33,798)
Cash Flows from Financing Activities		-
Net Increase/(Decrease) in Cash		(388,966)
Cash at Beginning of Period		828,016
Cash at End of Period	$	439,051

See Accountant's accompanying notes and report.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Association
Little Italy Association of San Diego ("the Association") is a public benefit non-profit Association 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 Association 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.

Significant Accounting Policies

Basis of Accounting
The financial statements of the Association are prepared on the accrual basis of accounting.

Basis of Presentation
The financial statements of the Association have been prepared in accordance with U.S. generally accepted principles ("US GAAP"), which require the Association to report information regarding its financial position and activities according to the following net assets classification.

> *Net assets without Donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association management and the board of directors.
>
> *Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations
The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

Functional Allocation of Expenses
The statement of functional expenses presents expense by function and natural classifications. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (in-

direct costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a programs or supporting service.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* This ASU amends the current nonprofit reporting model and enhances nonprofit organizations required disclosures. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and available resources, and the lack of consistency in the type of information provided about expenses and investment in return. The Association has adjusted the presentation of these statements accordingly.

Leases

Under ASC 842, the Association determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets represent the right to control the use of an identified assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Association does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Employee Retention Credit

Employee Retention Tax Credit (ERTC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, in March 2020 to help businesses retain employees. Eligible businesses that experienced a full or partial government ordered suspension of operations or a significant decline in gross receipts in any quarter (more than 50% decrease in 2020 from 2019, and more than 20% in 2021) could receive a quarterly refundable payroll tax credit. ERTCs are claimed on federal payroll tax forms. The Association qualified and claimed a total of $164,117 for the third quarter of 2021, which is recorded as contributions and grants on the statement of activities for the year ended June 30, 2023. The amount claimed excludes program staff covered by state funding. The funds were received on December 16, 2025.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Association recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Association's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date and before the financial statements are available to be issued.

The Association has evaluated subsequent events through July 23, 2026, which is the date the financial statements are available for issuance and concluded that no events needed to be disclosed.

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. Leasehold improvements are depreciated using the straight-line method over 15 years.

Income Taxes
The Association is exempt from federal income tax under the provisions of section 501(c)(3) of Internal Revenue Code and is also exempt from state income taxes under California Revenue and Taxation Code section 23701(d). The Association is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Chamber's tax-exempt purpose.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codifications No. 740-10, Accounting for Uncertainties in Income Tax, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Association has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

Revenue Recognition
Little Italy Association of San Diego is funded principally through the administration of contracts with the City of San Diego (special assessment districts BID, MAD, and 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.

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 – Programs Account	$ 15,519
Checking – BID	12,696
Checking – Mercato Account	125,006
Checking – Payroll	23,927
Checking – MAD Account	13,933
Checking – Parking District	142,746
Savings Account	63,868
Fidelity – Money Market	41,356
Total	$439,051

NOTE 3 – Accounts Receivable

The balance in accounts receivable of $103,135 as of June 30, 2025, represent the unpaid claims submitted to various customers and members for expenditures incurred through June 30, 2025 and other receivables as follows:

Taste of Little Italy	$ 40,269
MAD	1,356
Parking District	25,373

Venue Rentals – Corp Events	32,000
Other	4,137
Total	$ 103,135

NOTE 4 – Investment

On January 5, 2023, the Association invested in a mutual fund with Fidelity Investments which invests in various Certificate of Deposits (CD's) with various maturity dates ranging from July 1, 2024 to June 30, 2025 with interest rates ranging from 3.7% to 4.20%.

The Association, in May 22, 2008, entered into a Fund Agreement with the The San Diego Foundation ("TSDF") and transferred an amount of $10,000 (principal) to the TSDF 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 of the earnings on principal of $10,000, and can request the TSDF for the withdrawal of such funds.

As of June 30, 2025, the balance of the Association's investments are as follows:

Fidelity Investments	$125,000
The San Diego Foundation (Net of income & expenses)	13,190
Total	$138,190

NOTE 5 – Lease Agreement

Effective September 1, 2021, the Association leased the office space located at 710 West Ivy Street and 2210 Columbia Street, San Diego, CA 92101 directly from Wosk Levin Co., LLC for one year term ending on August 31, 2024. The Association exercised its one year additional option to renew for a monthly rent of $10,720 through August 31, 2025 after which it will switch to a month-to-month basis. The Association subleases the office space to the following sub-leassees;

Fuse Events	$2,136/mo.
New City America, Inc.	3,495/mo.
Rancho Ted	334/mo.

On January 1, 2020, the Association entered into a lease agreement for a term of five years ending December 31, 2024 for parking space for maintenance trucks and plants located at 632 W. Hawthorne St. with Cal-Prop Management Inc. for a monthly lease of $1,500. The lease was extending for one year ending December 31, 2025. Starting January 1, 2026 the lease term will be on a month-to-month basis.

On January 16, 2020 the Association rented storage space (Unit #A8) on a month to month basis for $440/mo. The storage spaces are used to store special events items and equipments.

The right-of-use (ROU) assets represent the Association's right to use underlying assets for the lease term, and the lease liabilities represent the Association's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Association has made an accounting policy election to use the US Treasury rate to discount future lease payments. The US Treasury rate applied to calculate lease liabilities was 4.97%.

The right-of-use assets at June 30, 2025 is $27,757. The future minimum base lease payments required under the lease agreement is as follows:

Year Ending June 30	Amount
2026	$ 30,441
Less discount	(2,684)
Present value of lease liability	$ 27,757

NOTE 6 – Executive Director Contract

The new agreement with New City America (a related party) started on April 1st, 2016 and 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 stipulates that the annual payments to New City America, Inc, will be $420,000 for its services of administering the BID, MAD and Community Parking contracts and additional payments for the other Association's events and special projects for fiscal year ending June 30, 2025..

See note 7 – Related Parties, below.

NOTE 7 – Related Parties

The Association, during the year June 30, 2025 paid New City America Inc. $344,462 to administer the BID contract and all other Association's activities (non-MAD and non-parking), $60,000 to administer the MAD program, and $15,538 to administer the Community Parking Programs. The Association's Chief Executive Administrator is also the President and owner of New City America, Inc.

Note 8 – Liquidity and Availability of Resources

The Association's financial assets available for general expenditure, that is without donor restrictions limiting their use within one year of the statement of position date are as follows:

Cash and cash equivalents	$ 439,051
Accounts Receivable	103,135
Investments	138,190
Total financial assets available within one year	680,376
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	(21,201)

Total financial assets available to management for general Expenditure within one year	$ 659,175

The Association maintains policies of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 9 – Net Assets without Donor Restrictions

The Association's net assets without donor restrictions at June 30, 2025 is $693,468.

Note 10 – Net Assets with Donor Restrictions

The Association's net assets with donor restrictions at June 30, 2025 is comprised of:

Piazza Constanza Reserve	$13,500
Art Appreciation Grant	2,701
Amici Park Statue	5,000
Total	$21,201

Note 11 – 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:

SBEP Grant Management Fee	$39,352
County Grant for Rent & Capital Improvements	45,000
CA State Grant for Special Events	35,678
City of San Diego ACCF Grant for Arts & Cultures	3,000
City of San Diego CPPS Grant for Sanitation expenses	2,000
County Grant for Piazza Constanza	34,000
Total	$159,030

Note 12 – Economic Injury Disaster Loan (EIDL)

In June 30, 2020, the Association applied for and received the Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) in the amount of $150,000 at 2.75% interest per annum. The Association shall make monthly installment payments of principal and interest of $641 per month beginning twelve (months) from the date of the promissory note of June 30, 2020. The balance of principal and interest will be payable thirty (30) years from the date of the promissory note. At June 30, 2025 the balance of this note is $144,336 and the estimated interest accrued on the loan would be $8,456. The loan was paid off on April 28, 2026.