

**LITTLE ITALY ASSOCIATION OF SAN DIEGO**  
Financial Statements  
For The Year Ended June 30, 2023  
And  
Independent Auditors' Report

**LITTLE ITALY ASSOCIATION OF SAN DIEGO**  
Financial Statements  
June 30, 2023

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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, 2023, 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, 2023, 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 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

April 18, 2024

**LITTLE ITALY ASSOCIATION OF SAN DIEGO**  
**Statements of Financial Position**  
**June 30, 2023**

**ASSETS**

<b>Current Assets</b>	
Cash in Banks	\$ 833,848
Accounts Receivable	146,680
Investments (Note 4)	118,162
Total Current Assets	1,098,690
Property & Equipment	
Vehicles	106,215
Equipment	127,331
Web Design Cost	22,400
Leasehold Improvements	59,177
Less Accumulated Depreciation	(244,612)
Total Fixed Assets	70,511
<b>Other Assets</b>	
Employee Retention Credit Receivable (Note 14)	164,117
Rent Deposit	8,451
Total Other Assets	172,568
<b>Total Assets</b>	<b>\$ 1,341,769</b>

**LIABILITIES & NET ASSETS**

<b>Liabilities:</b>	
Accounts Payable	\$ 198,649
Advance for Bollards Program (Note 6)	98,858
Accrued Interest Liability	8,456
Total Current Liabilities	305,963
<b>Long Term Liab</b>	
EIDL Loan	148,476
Total Long Term Liabilities	148,476
<b>Total Liabilities</b>	<b>454,439</b>
<b>Net Assets</b>	
Without donor restrictions:	
Undesignated	847,887
With donor restrictions	39,443
<b>Total Net Assets</b>	<b>887,330</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 1,341,769</b>

See Accountant's accompanying notes and report.

**LITTLE ITALY ASSOCIATION OF SAN DIEGO**  
Statement of Activities and changes in Net Assets  
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Activities</b>			
Revenue			
Assessment District and Public:			
SBEP - (Public)	\$	\$ 18,356	\$ 18,356
BID Reimbursement - (Assessment)	116,079		116,079
MAD Reimbursement - (Assessment)	1,234,087		1,234,087
Government Grants Revenue	25,000		25,000
Net Assets Released from Restrictions	27,471	(27,471)	-
Parking District Reimbursement - (Public)	926,220		926,220
Total Assessment District and Public	<u>2,328,857</u>	<u>(9,115)</u>	<u>2,319,742</u>
Non Assessment Non-Public Funding			
Maintenance Non-Assessment	87,686	-	87,686
Other Events and Programs	1,349,754	36,007	1,385,761
Employee Rentantion Tax Credit	164,117	-	164,117
Other Income	312	-	312
Total Revenue	<u>3,930,726</u>	<u>26,892</u>	<u>3,957,618</u>
Expenses:			
Program & Event Expenses	3,904,551	-	3,904,551
General & Administrative	65,987	-	65,987
Total Program, Event & General & Administrative Expenses	<u>3,970,538</u>	<u>-</u>	<u>3,970,538</u>
 <b>Increase/ (Decrease) in Net Assets</b>	 <u>(39,812)</u>	 <u>26,892</u>	 <u>(12,920)</u>
 <b>Increase/ (Decrease) in Net Assets</b>	 <u>(39,812)</u>	 <u>26,892</u>	 <u>(12,920)</u>
<b>Net Assets, Beginning of Year</b>	887,699	12,551	900,250
 <b>Net Assets, End of Year</b>	 <u>\$ 847,887</u>	 <u>\$ 39,443</u>	 <u>\$ 887,330</u>

See Accountant's accompanying notes and report.

**LITTLE ITALY ASSOCIATION OF SAN DIEGO**

Statement of Functional Expenses

For the Year Ended June 30, 2023

	<u>PROGRAM &amp; EVENTS</u>	<u>GENERAL &amp; ADMINISTRATIVE</u>	<u>TOTAL</u>
Administration of MAD Contract	\$ 242,097	\$ 42,723	\$ 284,820
Administration of BID Contract and Association's Activities	35,397	6,247	41,644
<b>Personnel Costs for MAD</b>			
<b>Employees:</b>			
Salaries	992,351	-	992,351
Bonuses	9,000	-	9,000
Workers' Compensation Insurance	63,571	-	63,571
Medical & Dental Benefits	92,474	-	92,474
Payroll Taxes & Processing Fees	95,703	-	95,703
P/R Credit- Families First Act	-	-	-
<b>Event/Program Expenses</b>			
Program	217,261	-	217,261
Mercato	386,459	-	386,459
Parking	737,971	-	737,971
SBEP	18,356	-	18,356
Auto Expenses	56,082	-	56,082
Bank Charges	371	-	371
Cleaning and Janitorial Supplies	44,573	-	44,573
Depreciation	25,748	-	25,748
Dues & Subscriptions	1,611	-	1,611
Dumpster Services	32,178	-	32,178
Equipment	12,818	-	12,818
Equipment Rental	38,886	-	38,886
Insurance	349,676	-	349,676
Interest Expense	-	-	-
Licenses, Permits & Taxes	25,916	2,880	28,795
Marketing & Promotion	26,259	-	26,259
Meals & Entertainment	29,223	-	29,223
Miscellaneous	5,972	-	5,972
Nursery Supplies & Tree Maintenance	82,734	-	82,734
Office Supplies	23,186	-	23,186
Office Expense	3,727	658	4,385
Postage & Printing	2,426	270	2,696
Professional Services	102,761	-	102,761
Rent	70,198	7,800	77,998
Repairs & Maintenance	3,779	-	3,779
Telephone	5,252	584	5,836
Uniforms	2,202	-	2,202
Utilities	43,445	4,827	48,272
Contingency	24,887	-	24,887
<b>Total Expenses</b>	<b>\$ 3,904,551</b>	<b>\$ 65,987</b>	<b>\$ 3,970,538</b>

See accountant's accompanying notes and report.

**LITTLE ITALY ASSOCIATION OF SAN DIEGO**

Statement of Cash Flows

For the Year Ended June 30, 2023

**Cash Flows from Operating Activities:**

Increase in Net Assets	\$	(12,920)
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense		25,748
(Increase)/Decrease in Accounts Receivable		223,549
(Increase)/Decrease in Investment		(106,000)
Increase/(Decrease) in Employee Retention Credit		(164,117)
Increase/(Decrease) in Account Payable		146,421
Increase/(Decrease) in Unearned Revenue		(10,750)
Increase/(Decrease) in Accrued Interest Liability		1,055
Increase/(Decrease) in Advance from Bollard Program		(22,637)
Total Adjustments		<u>93,269</u>
<b>Net Cash Provided by Operating Activities</b>		<u>80,349</u>
<b>Cash Flows from Investing Activities</b>		-
<b>Net Cash Used by Investing Activities</b>		<u>-</u>
<b>Cash Flows from Financing Activities</b>		-
<b>Net Cash Provided by Financing Activities</b>		<u>-</u>
Net Increase/(Decrease) in Cash		80,349
Cash at Beginning of Period		<u>753,498</u>
Cash at End of Period	\$	<u><u>833,848</u></u>

See Accountant's accompanying notes and report.



**LITTLE ITALY ASSOCIATION OF SAN DIEGO**  
Notes to Financial Statements  
June 30, 2023

**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

(indirect 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.

#### 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 April 9, 2024, 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.

#### 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 – MAD	\$ 332,336
Checking – BID	2,487
Checking – Mercato Account	61,491
Checking – Payroll	37,025
Checking – Programs Account	127,275
Checking – Parking District	85,543
Savings Account	93,119
Fidelity – Money Market	<u>94,572</u>
Total	<u>\$833,848</u>

**NOTE 3 – Accounts Receivable**

The balance in accounts receivable of \$146,680 as of June 30, 2023, represent the unpaid claims submitted to Civic San Diego and various customers and members for expenditures incurred through June 30, 2023 and other receivables as follows:

Parking District	\$ 114,917
MAD	50
Programs	<u>31,713</u>
Total	<u>\$ 146,680</u>

**NOTE 4 – Investment**

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 SDF for the withdrawal of such funds. On January 5, 2023, the Association invested in a mutual fund with Fidelity Investments which invests in various Certificate of Deposits (CD’s), as of June 30, 2023, the balance of the Association’s investments are as follows:

Fidelity Investments	\$106,000
The San Diego Foundation (Net of income & expenses)	<u>12,162</u>
Total	<u>\$118,162</u>

**NOTE 5 – Lease Agreement**

For the months of July and August 2021, the Association had a sublease agreement for the office space with New City America who in turn had a master lease with Wosk Levin Co., LLC (see related parties, note 10). The lease is for premises located at 710 West Ivy Street and 2210 Columbia Street, San Diego, CA 92101.

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 monthly rent paid to New City America was \$4,090 for the months of July and August 2021.

Effective September 1, 2021, the Association leased the office space directly from Wosk Levin Co., LLC for one year term ending on August 31, 2023. New City America is no longer the master leaseholder tenant. The current monthly rent is \$9,969. The Association exercised its one year additional option to renew for a monthly rent of \$10,368 to August 31, 2024. The Association subleases the office space to the following sub-leasees;

Artwalk	\$1,517/mo.
New City America, Inc.	1,610/mo.
Wakita & Associates	516/mo.
Rancho Ted	793/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 located at 632 W. Hawthorne St. with Cal-Prop Management Inc. for a monthly lease of \$1,300.

The Association entered into a lease agreement with A Storage Place on September 23, 2019 to rent storage space (Unit#B1021 & B1035) on a month to month basis for \$375/mo. On January 16, 2020 the Association rented another storage space (Unit#A13, A8, A80, A87) on a month to month basis for \$400/mo. The storage spaces are used to store special events items and equipments.

See note 8 – Lease Commitment, below.

**NOTE 6 – Advance for Bollards Program**

The Association received \$264,000 advance from the City of San Diego for the Bollard program to install bollards in the Little Italy area. The balance of this advance account is \$98,858 as of June 30, 2023. As disbursements are made the advance balance is decreased.

**NOTE 7 – Executive Director Contract**

The new agreement with New City America (a related party) started on April 1<sup>st</sup>, 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 under review 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.

See note 9 – Related Parties, below.

**NOTE 8 – Lease Commitment**

The annual base rents during the extension term are as follows:

<u>Period Ending</u>	<u>Amount</u>
7/1/23 – 6/30/24	\$139,219
7/1/24 – 6/30/25	<u>28,536</u>
Total	<u>\$167,755</u>

**NOTE 9 – Related Parties**

The Association, during the year June 30, 2023 paid New City America Inc. \$302,492 to administer the BID contract and all other Association's activities (non-MAD and non-parking,), \$18,356 from the SBEP contract to partially pay to administer the BID and all other Association's activities (non-MAD and non-parking), \$24,000 to administer the MAD contract, \$113,040 to administer the Community Parking Programs. The Association's Chief Executive Administrator is also the President and owner of New City America, Inc.

**Note 10 – 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	\$ 833,848
Accounts Receivable	146,680
Investments	<u>118,162</u>
Total financial assets available within one year	1,098,690
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	(39,443)
Total financial assets available to management for general Expenditure within one year	<u>\$1,059,247</u>

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

**Note 11 – Net Assets without Donor Restrictions**

The Association's net assets without donor restrictions at June 30, 2023 is \$847,887.

**Note 12 – Net Assets with Donor Restrictions**

The Association’s net assets with donor restrictions at June 30, 2023 is comprised of:

Piazza Constanza Sponsorship	\$31,007
Art Appreciation Grant	3,436
Amici Park Statue	<u>5,000</u>
Total	<u>\$39,443</u>

**Note 13 – 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	\$18,356
Art Appreciation Grant	<u>9,115</u>
Total	<u>\$27,471</u>

**Note 14 – Employee Retention Credit Receivable**

The Association applied for the Employee Retention Credit on December 2, 2022 in the amount of \$164,117 for the third quarter of 2021. The Association has not received the money as of June 30, 2023, therefore, it is reflected in Other Assets.