

# ADG CPA

## **CITY HEIGHTS BUSINESS ASSOCIATION** **AUDITED FINANCIAL STATEMENTS** **FOR YEARS ENDED JUNE 30, 2018 and 2017**

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# ADG CPA

To the Board of Directors of  
**City Heights Business Association, Inc.**

I have audited the accompanying financial statements of City Heights Business Association, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

## ***Management's Responsibility for the 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***

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Heights Business Association, Inc., as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Supplementary Information***

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Budget vs Actual City of San Diego Contracts 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Andres D. Garcia, CPA  
October 22, 2018

**CITY HEIGHTS BUSINESS ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 113,175	\$ 158,461
Accounts Receivable - Maintenance Assessment District	95,919	36,304
Accounts Receivable - Other City of San Diego Contracts	-	535
Security Deposit	<u>1,000</u>	<u>1,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 210,094</u></u>	<u><u>\$ 196,300</u></u>
<b>LIABILITIES:</b>		
Accrued Vacation	\$ 4,568	\$ 3,455
Deferred Revenue	7,058	1,304
MAD Advance	<u>84,824</u>	<u>84,824</u>
<b>TOTAL LIABILITIES</b>	<u>96,450</u>	<u>89,583</u>
<b>NET ASSETS:</b>		
Unrestricted	<u>113,644</u>	<u>106,717</u>
<b>TOTAL NET ASSETS</b>	<u>113,644</u>	<u>106,717</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 210,094</u></u>	<u><u>\$ 196,300</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements



**CITY HEIGHTS BUSINESS ASSOCIATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2018 and 2017**

<b>Revenue and Support:</b>	2018	2017
City of San Diego - Maintenance Assessment District	\$ 386,204	\$ 256,332
City of San Diego - Business Improvement District	34,040	34,863
City of San Diego - Small Business Enhancement Program	22,248	22,330
Grants	73,495	30,887
Other Income	2,100	2,152
<b>Total Revenue and Support</b>	<u>518,087</u>	<u>346,564</u>
<b>Expenses:</b>		
Program Services		
Maintenance Services	249,175	115,868
Marketing / Special Events	-	3,007
<b>Total Program Services</b>	<u>249,175</u>	<u>118,875</u>
Supporting Services:		
Personnel		
Salaries	182,151	135,470
Payroll Taxes	15,978	11,861
Benefits	2,536	-
<b>Total Personnel</b>	<u>200,665</u>	<u>147,331</u>
Operating		
Accounting	10,900	9,660
Audit	4,000	4,000
Conferences, Meetings, Training	7,369	5,652
Contingency	-	1,369
Insurance	3,686	3,423
Marketing	-	1,538
Postage and Printing	381	351
Occupancy	15,636	20,341
Special Projects & Events	5,125	-
Supplies	8,697	9,860
Telephone	5,109	3,813
Travel	417	107
<b>Total Operating</b>	<u>61,320</u>	<u>60,114</u>
<b>Total Supporting Services</b>	<u>261,985</u>	<u>207,445</u>
<b>Total Expenses</b>	<u>511,160</u>	<u>326,320</u>
<b>Change in Net Assets</b>	6,927	20,244
<b>Net Assets, Beginning of Year</b>	<u>106,717</u>	<u>86,473</u>
<b>Net Assets, End of Year</b>	<u>\$ 113,644</u>	<u>\$ 106,717</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**CITY HEIGHTS BUSINESS ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 and 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2018</u>	<u>2017</u>
Change in Net Assets	\$ 6,927	\$ 20,244
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable - MAD	(59,615)	(36,300)
Accounts Receivable - Other City of San Diego Contracts	535	2,418
Security Deposit	-	(1,000)
Increase (Decrease) in:		
Accrued Vacation	1,113	(1,547)
Deferred Revenue	5,754	1,304
MAD Advance	-	79,000
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(45,286)</u>	<u>64,119</u>
Increase (Decrease) in Cash and Cash Equivalents	(45,286)	64,119
Cash and Cash Equivalents, Beginning of Period	<u>158,461</u>	<u>94,342</u>
Cash and Cash Equivalents, End of Period	<u>\$ 113,175</u>	<u>\$ 158,461</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**CITY HEIGHTS BUSINESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEARS ENDED JUNE 30, 2018 and 2017**

**Note 1.      Nature of Organization**

The City Heights Business Association (CHBA) was formed in June 2003 as a non-profit mutual benefit corporation. Its purpose is to enhance the growth and improvement of the City Heights area, located in the City of San Diego, through partnerships created with the community's business and property owners. These partnerships provide the means to promote economic growth while preventing deterioration of the community.

Currently, CHBA administers the City Heights Business Improvement District and the City Heights Maintenance Assessment District funds, in partnership with the City of San Diego. These Districts include over 700 businesses and property owners and serve the most ethnically diverse population in San Diego. CHBA's Board of Directors includes owners of businesses or property located within the Improvement or Maintenance Assessment Districts as well as Associate members.

CHBA's activities include promotion, economic restructuring, organization via newsletter and directory, design, Small Business Enhancement Program Funds, and promotional materials. In addition, CHBA is responsible for ensuring maintenance including litter control, illegal dump removal, graffiti control, sidewalk safety hazard monitoring, lighting service, tree maintenance, and security. Many of these services are provided under contract with Urban Corps of San Diego.

**Note 2.      Summary of Significant Accounting Policies**

Basis of Accounting: The accompanying financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant accounts receivable, payable and other liabilities.

Fund Accounting: To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

The Organization also prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions or stipulations as to purpose of use.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of the Organization or the passage of time. The Organization does not have any temporarily restricted net assets as of June 30, 2018 and 2017.



**CITY HEIGHTS BUSINESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEARS ENDED JUNE 30, 2018 and 2017**

**Note 2.      Summary of Significant Accounting Policies, continued**

Fund Accounting: continued.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions of investing the principal contribution in perpetuity and the investment income be used for the Organization’s operations and programs. The Organization does not have any permanently restricted net assets as of June 30, 2018 and 2017.

Cash and Cash Equivalents: The Organization has defined cash and cash equivalents as cash in banks and money market accounts with an initial maturity of three months or less.

Accounts Receivable: Accounts receivables are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. CHBA has no capitalized assets as of June 30, 2018 and 2017 and therefore no depreciation expense for the years ended June 30, 2018 and 2017. All property and equipment purchased by CHBA with funds received from the City of San Diego are considered property of the City. If the agreement with the City of San Diego is terminated for any reason, CHBA is required to deliver such assets to the City of San Diego.

Donated Materials and Services: Donated materials and services are recognized as contributions if the materials or services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Use of Estimates: The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the 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. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Concentration of Credit Risks: The primary receivable balance outstanding at June 30, 2018 and 2017 consists of governmental contract receivables due from the City of San Diego. Concentration of credit risks with respect to trade receivables are limited, as the majority of CHBA’s receivables consist of earned fees from reimbursement-contracts granted by the City of San Diego. Management has determined that all balances are collectible.



**CITY HEIGHTS BUSINESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEARS ENDED JUNE 30, 2018 and 2017**

**Note 3.      Income Tax Status**

The Organization is a California Not-For-Profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(6) and California State Tax Code 23701(e), respectively, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

U.S. generally accepted accounting principles require Organization management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken uncertain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. Management has analyzed tax positions taken by the Organization and has concluded that, as of June 30, 2018 and 2017, there are not uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or that would require disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions. However, currently no audits for any tax periods are in progress.

**Note 4.      Commitments and Contingencies**

CHBA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, CHBA has no provisions for the possible disallowance of program costs on its financial statements.

**Note 5.      Operating Lease Obligation**

On December 19, 2016 CHBA extended its lease agreement for office space located at 4305 University Avenue, extending the term of the lease from February 1, 2017 through January 31, 2020, with a monthly base rent of \$1,038. Base rent is increased annually by 3%. Additionally, monthly utilities are calculated on a pro-rata share, approximately 6%. Total lease payments under this lease were \$15,636 and \$20,341, respectively, for the years ended June 30, 2018 and 2017.

Future minimum lease payments, by year and in the aggregate, under this lease consist of the following:

<u>Years ending June 30:</u>	
2019	\$ 12,988
2020	<u>7,707</u>
	<u>\$ 20,695</u>

**CITY HEIGHTS BUSINESS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEARS ENDED JUNE 30, 2018 and 2017**

**Note 6.      Prepaid Advance – MAD**

The three contracts that CHBA maintains with the City of San Diego are all reimbursement contracts. To allow CHBA to operate efficiently, the City of San Diego provides a prepayment that must be repaid by CHBA in 60 months. CHBA received \$79,000 on December 30, 2016. The MAD Advance balance at June 30, 2018 and 2017 is \$84,824.

**Note 7.      Related Organization**

During the year ended June 30, 2009, the City Heights Foundation (the Foundation) was formed and incorporated as a nonprofit public benefit corporation {501(c)(3)}. The Foundation's exempt purpose is to combat the deterioration of the City Heights community, provide educational programs and opportunities for the self-development and betterment of the general public.

The Foundation maintains office space located at 4305 University Avenue, Suite 520, the office location of CHBA. The Foundation has some members of its Board of Directors that are also on the CHBA Board of Directors. The organizations maintain separate accounting records. For the years ending June 30, 2018 and 2017, the Foundation did not pay CHBA for administrative overhead.

CHBA does not maintain control over the Foundation. Therefore, CHBA statements of financial position, activities and changes in net assets, and cash flows do not include the transactions of the Foundation for the years ended June 30, 2018 and 2017.

**Note 8.      Functional Expenses**

The following is a summary of expenses by functional classification for the years ending June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program Services	\$ 249,175	\$ 118,875
Support Services		
Personnel	200,665	147,331
Operating	<u>61,320</u>	<u>60,114</u>
Total	<u>\$ 511,160</u>	<u>\$ 326,320</u>

**Note 9.      Subsequent Events**

The management of the Organization have reviewed the results of operations and evaluated subsequent events for the period of time from its year end June 30, 2018 through October 22, 2018, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

## **SUPPLEMENTARY INFORMATION**



**City Heights Business Association**  
**Schedule of Budget vs Actual City of San Diego Contracts**  
**SBEP, BID, MAD**  
**July 2017 through June 2018**

	110 SBEP			200 BID			400 MAD		
	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget
<b>Revenues</b>									
41000 · SBEP Contract	17,248	17,330	(82)	-	-	-	-	-	-
41010 · Technical Assistance/Acctng.	5,000	5,000	-	-	-	-	-	-	-
40020 · BID Contract	-	-	-	34,040	42,000	(7,960)	-	-	-
42000 · MAD Contract	-	-	-	-	-	-	386,204	546,343	(160,139)
<b>Total Revenues</b>	<b>22,248</b>	<b>22,330</b>	<b>(82)</b>	<b>34,040</b>	<b>42,000</b>	<b>(7,960)</b>	<b>386,204</b>	<b>546,343</b>	<b>(160,139)</b>
<b>50020 · Personnel</b>									
50027 · Executive Director	15,825	15,870	(45)	26,124	27,330	(1,206)	42,501	41,250	1,251
50029 · Executive Assistant	-	-	-	-	-	-	-	-	-
50030 · Clean & Safe Ambassador	-	-	-	-	-	-	50,000	50,000	(0)
50031 · Fica/R Expense	1,211	1,460	(249)	1,999	2,292	(293)	7,076	7,032	44
50032 · Sui Expense	118	-	118	201	1,000	(799)	521	2,880	(2,359)
50033 · Futa Tax Expense	94	-	94	143	78	65	223	126	97
50035 · Health Insurance	-	-	-	-	-	-	-	-	-
<b>Total Personnel</b>	<b>17,248</b>	<b>17,330</b>	<b>(82)</b>	<b>28,467</b>	<b>30,700</b>	<b>(2,233)</b>	<b>100,320</b>	<b>101,288</b>	<b>(968)</b>
<b>General Operating</b>									
50045 · Rent - Office	-	-	-	-	-	-	15,576	16,400	(824)
50050 · Telephone/Fax/Cell/Internet	-	-	-	395	300	95	3,800	1,700	2,100
50060 · Mtngs/Conf/Dues/Subscriptions	682	1,000	(318)	1,734	-	1,734	240	-	240
50065 · Photocopying/Lease	-	-	-	-	-	-	-	-	-
50071 · Insurance-Workers Comp	-	-	-	189	100	89	1,192	1,150	42
50072 · Insurance - General Liability	-	-	-	-	-	-	596	600	(4)
50073 · Insurance -Directors & Officers	-	-	-	100	100	-	1,609	1,500	109
50075 · Postage/Printing	-	-	-	381	500	(119)	-	-	-
50081 · Audit	-	-	-	-	-	-	4,000	4,000	-
50082 · Accounting Services	3,128	3,000	128	235	-	235	7,531	8,000	(469)
50084 · Professional Services	-	-	-	-	-	-	-	-	-
50086 · Marketing	-	-	-	-	-	-	-	-	-
50090 · Board & Staff Training/Retreat	1,190	-	1,190	-	-	-	-	-	-
50095 · Travel/Mileage/Auto Expense	-	-	-	46	500	(454)	371	-	371
50150 · Office Supplies/Equipment	-	1,000	(1,000)	661	300	361	4,184	502	3,682
50160 · Utilities/Electricity	-	-	-	-	-	-	-	-	-
50165 · Contingency	-	-	-	-	2,000	(2,000)	-	16,000	(16,000)
<b>Total General Operating</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>	<b>3,742</b>	<b>3,800</b>	<b>(58)</b>	<b>39,098</b>	<b>49,852</b>	<b>(10,754)</b>
<b>Outreach &amp; Promotion</b>									
51560 · Website	-	-	-	-	-	-	-	-	-
51540 · Marketing / Special Events	-	-	-	1,831	7,500	(5,669)	643	-	643
<b>Total Outreach &amp; Promotion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,831</b>	<b>7,500</b>	<b>(5,669)</b>	<b>643</b>	<b>-</b>	<b>643</b>
<b>Maintenance Services</b>									
52105 · Maintenance Services	-	-	-	-	-	-	246,142	395,203	(149,061)
52140 · Street Lights	-	-	-	-	-	-	-	-	-
52145 · Sidewalk Power Washing	-	-	-	-	-	-	-	-	-
<b>Total Maintenance Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>246,142</b>	<b>395,203</b>	<b>(149,061)</b>
<b>Total Expenses</b>	<b>22,248</b>	<b>22,330</b>	<b>(82)</b>	<b>34,040</b>	<b>42,000</b>	<b>(7,960)</b>	<b>386,204</b>	<b>546,343</b>	<b>(160,139)</b>
<b>Net Revenue over Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See Independent Auditor's Report