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CITY HEIGHTS BUSINESS ASSOCIATION
AUDITED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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, 2019 and 2018, 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, 2019 and 2018, 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.

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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, 2019

CITY HEIGHTS BUSINESS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and Cash Equivalents	\$ 132,052	\$ 113,175
Accounts Receivable - Maintenance Assessment District	88,821	95,919
Accounts Receivable - Other City of San Diego Contracts	1,533	-
Security Deposit	<u>1,000</u>	<u>1,000</u>
TOTAL ASSETS	<u>\$ 223,406</u>	<u>\$ 210,094</u>
LIABILITIES:		
Accrued Vacation	\$ 3,769	\$ 4,568
Deferred Revenue	-	7,058
MAD Advance	<u>84,824</u>	<u>84,824</u>
TOTAL LIABILITIES	<u>88,593</u>	<u>96,450</u>
NET ASSETS:		
Without Donor Restrictions	<u>134,813</u>	<u>113,644</u>
TOTAL NET ASSETS	<u>134,813</u>	<u>113,644</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 223,406</u>	<u>\$ 210,094</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, 2019 and 2018

Revenue and Support:	2019	2018
City of San Diego - Maintenance Assessment District	\$ 335,045	\$ 386,204
City of San Diego - Business Improvement District	39,744	34,040
City of San Diego - Small Business Enhancement Program	20,341	22,248
Grants	35,727	73,495
Other Income	1,600	2,100
Total Revenue and Support	<u>432,457</u>	<u>518,087</u>
Expenses:		
Program Services		
Maintenance Services	191,305	249,175
Total Program Services	<u>191,305</u>	<u>249,175</u>
Supporting Services:		
Personnel		
Salaries	144,310	182,151
Payroll Taxes	11,892	15,978
Benefits	-	2,536
Total Personnel	<u>156,202</u>	<u>200,665</u>
Operating		
Accounting	10,860	10,900
Audit	4,200	4,000
Conferences, Meetings, Training	7,257	7,369
Insurance	5,530	3,686
Postage and Printing	1,391	381
Occupancy	14,377	15,636
Special Projects & Events	7,527	5,125
Supplies	6,707	8,697
Telephone	4,414	5,109
Travel	1,518	417
Total Operating	<u>63,781</u>	<u>61,320</u>
Total Supporting Services	<u>219,983</u>	<u>261,985</u>
Total Expenses	<u>411,288</u>	<u>511,160</u>
Change in Net Assets	21,169	6,927
Net Assets, Beginning of Year	<u>113,644</u>	<u>106,717</u>
Net Assets, End of Year	<u><u>\$ 134,813</u></u>	<u><u>\$ 113,644</u></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, 2019 and 2018

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ 21,169	\$ 6,927
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable - MAD	7,098	(59,615)
Accounts Receivable - Other City of San Diego Contracts	(1,533)	535
Increase (Decrease) in:		
Accrued Vacation	(799)	1,113
Deferred Revenue	(7,058)	5,754
MAD Advance	-	-
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>18,877</u>	<u>(45,286)</u>
Increase (Decrease) in Cash and Cash Equivalents	18,877	(45,286)
Cash and Cash Equivalents, Beginning of Period	<u>113,175</u>	<u>158,461</u>
Cash and Cash Equivalents, End of Period	<u>\$ 132,052</u>	<u>\$ 113,175</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, 2019 and 2018

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 as amended by ASU 2016-14. The Organization uses the terms *Net Assets Without Donor Restrictions* and *Net Assets With Donor Restrictions* to describe the two required net asset classes.

Net Assets Without Donor Restrictions: net assets not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions: net assets subject to donor-imposed stipulations.

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.

CITY HEIGHTS BUSINESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2019 and 2018

Note 2. Summary of Significant Accounting Policies, continued

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, 2019 and 2018 and therefore no depreciation expense for the years ended June 30, 2019 and 2018. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Concentration of Credit Risks: The primary receivable balance outstanding at June 30, 2019 and 2018 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.

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.

The FASB Interpretation No.48, *Accounting for Uncertainty in Income Taxes*, (FIN 48) which was subsequently included in the FASB Codification as ASC 740, prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of the Organization has evaluated its uncertain tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Organization's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

CITY HEIGHTS BUSINESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2019 and 2018

Note 3. 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 4. 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 \$14,377 and \$15,636, respectively, for the years ended June 30, 2019 and 2018.

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

<u>Year ending June 30:</u>	
2020	<u>\$ 7,707</u>

Note 5. 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, 2019 and 2018 is \$84,824.

Note 6. Functional Expenses

The following is a summary of expenses by functional classification for the years ending June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Program Services	\$ 191,305	\$ 249,175
Support Services		
Personnel	156,202	200,665
Operating	<u>63,781</u>	<u>61,320</u>
Total	<u>\$ 411,288</u>	<u>\$ 511,160</u>

CITY HEIGHTS BUSINESS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018.

Note 8. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>06/30/2019</u>
Financial assets at year-end	\$ 222,406
Less those unavailable for general expenditures within one year due to:	<u>none</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 222,406</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, 2019 through October 22, 2019, 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 2018 through June 2019

	110 SBEP			200 BID			400 MAD		
	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget
Revenues									
40060 · Grants	1,996	-	1,996	-	-	-	-	-	-
41000 · SBEP Contract	15,341	17,262	(1,921)	-	-	-	-	-	-
41010 · Technical Assistance/Acctng.	5,000	5,000	-	-	-	-	-	-	-
40020 · BID Contract	-	-	-	39,744	42,000	(2,256)	-	-	-
42000 · MAD Contract	-	-	-	-	-	-	335,045	446,867	(111,822)
Total Revenues	22,337	22,262	75	39,744	42,000	(2,256)	335,045	446,867	(111,822)
50020 · Personnel									
50027 · Executive Director	16,001	15,551	450	29,578	29,650	(72)	43,093	41,250	1,843
50030 · Clean & Safe Ambassador	-	-	-	-	-	-	52,500	52,500	(0)
50031 · Fica/R Expense	1,223	1,500	(277)	2,263	3,048	(785)	7,314	9,624	(2,310)
50032 · Sui Expense	102	211	(109)	103	214	(111)	502	689	(187)
50033 · Futa Tax Expense	10	-	10	10	-	10	64	-	64
50035 · Health Insurance	-	-	-	-	-	-	-	-	-
Total Personnel	17,337	17,262	75	31,954	32,912	(958)	103,472	104,063	(591)
General Operating									
50045 · Rent - Office	-	-	-	-	-	-	14,347	16,400	(2,053)
50050 · Telephone/Fax/Cell/Internet	-	-	-	164	400	(236)	4,250	2,000	2,250
50060 · Mtngs/Conf/Dues/Subscriptions	50	-	50	1,557	500	1,057	546	-	546
50071 · Insurance-Workers Comp	-	-	-	576	100	476	2,215	1,150	1,065
50072 · Insurance - General Liability	-	-	-	340	100	240	1,868	2,600	(732)
50073 · Insurance -Directors & Officers	-	-	-	-	-	-	532	1,500	(968)
50075 · Postage/Printing	-	-	-	867	500	367	524	1,000	(476)
50081 · Audit	-	-	-	-	-	-	4,200	4,000	200
50082 · Accounting Services	3,000	3,000	-	92	-	92	7,768	8,000	(232)
50090 · Board & Staff Training/Retreat	-	-	-	-	500	(500)	-	500	(500)
50095 · Travel/Mileage/Auto Expense	-	-	-	81	100	(20)	1,365	1,000	365
50150 · Office Supplies/Equipment	1,950	2,000	(50)	1,034	388	646	3,094	1,000	2,094
50165 · Contingency	-	-	-	-	2,000	(2,000)	-	16,000	(16,000)
Total General Operating	5,000	5,000	-	4,710	4,588	122	40,708	55,150	(14,442)
Outreach & Promotion									
51540 · Marketing / Special Events	-	-	-	3,080	4,500	(1,420)	-	-	-
Total Outreach & Promotion	-	-	-	3,080	4,500	(1,420)	-	-	-
Maintenance Services									
52105 · Maintenance Services	-	-	-	-	-	-	190,865	287,654	(96,789)
Total Maintenance Services	-	-	-	-	-	-	190,865	287,654	(96,789)
Total Expenses	22,337	22,262	75	39,744	42,000	(2,256)	335,045	446,867	(111,822)
Net Revenue over Expenses	-	-	-	-	-	-	-	-	-

See Independent Auditor's Report