

**EL CAJON BOULEVARD
BUSINESS IMPROVEMENT ASSOCIATION**
Financial Statements
For The Year Ended June 30, 2017
Independent Auditors' Report

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BUSINESS IMPROVEMENT ASSOCIATION**
Financial Statements
June 30, 2017

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Independent Auditors' Report

To the Board of Directors
El Cajon Boulevard Business Improvement Association

We have audited the accompanying financial statements of El Cajon Boulevard Business Improvement Association (a Non-Profit Organization), which comprise of the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Cajon Boulevard Business Improvement Association as of June 30, 2017 and 2016, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited El Cajon Boulevard Business Improvement Association June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Guerrero, Jimenez, Diaz, & Co., LLP
Certified Public Accountants

San Diego, California
January 24, 2018

**EL CAJON BOULEVARD
BUSINESS IMPROVEMENT ASSOCIATION**
Statement of Financial Position
For the Year Ended June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash	\$ 80,782	\$ 63,995
Accounts Receivable	<u>12,706</u>	<u>24,112</u>
Total Current Assets	93,488	88,107
Fixed Assets:		
Equipment	11,772	11,772
Accumulated Depreciation	<u>(11,243)</u>	<u>(10,525)</u>
Fixed Assets (Net)	529	1,247
Other Assets:		
Prepaid Insurance	498	2,213
Rent Deposit	<u>1,950</u>	<u>1,950</u>
Total Assets	<u>\$ 96,465</u>	<u>\$ 93,517</u>

LIABILITIES AND NET ASSETS

Current Liabilities & Deferred Income		
Deferred Income	\$ -	\$ 3,396
Total Liabilities & Deferred Income	-	3,396
Net Assets		
Unrestricted Net Assets	<u>96,465</u>	<u>90,121</u>
Total Net Assets	96,465	90,121
Total Liabilities and Net Assets	<u>\$ 96,465</u>	<u>\$ 93,517</u>

The accompanying notes are an integral part of these financial statements.

**EL CAJON BOULEVARD
BUSINESS IMPROVEMENT ASSOCIATION**
Statement of Activity
For the Year Ended June 30, 2017 and 2016

Revenue:	<u>2017</u>	<u>2016</u>
Governmental Funding:		
BID Reimbursements	\$ 99,582	\$ 108,478
Small Business Enhancement Program Grant	20,121	20,095
Grant Income	19,014	39,248
Parking Meter District	44,344	35,158
Total Governmental Funding	<u>183,061</u>	<u>202,979</u>
Other Revenue:		
Special Events	12,665	37,004
Sponsorships	46,664	-
Interest Earned	6	5
Total Other Revenue	<u>59,335</u>	<u>37,009</u>
Total Revenue	242,396	239,988
Expenses:		
Program	214,313	211,398
General and Administrative	<u>21,739</u>	<u>21,712</u>
Total Expenses	<u>236,052</u>	<u>233,110</u>
Increase in Net Assets	6,344	6,878
Net Assets Beginning of Year	90,121	83,243
Net Assets End of Year	<u>\$ 96,465</u>	<u>\$ 90,121</u>

The accompanying notes are an integral part of these financial statements.

EL CAJON BOULEVARD
BUSINESS IMPROVEMENT ASSOCIATION
Schedule of Functional Expenses
For the Year Ended June 30, 2017 and 2016

	Program	General & Administrative	Total	2016
Salaries & Wages	\$ 78,918	\$ 8,769	87,687	\$ 101,439
Payroll Taxes	7,003	778	7,781	8,684
Health Benefits	8,906	990	9,896	9,720
Total Payroll & Related Expenses	94,828	10,536	105,364	119,843
Accounting/Audit	12,857	1,429	14,286	8,900
Advertising	883	98	981	-
Annual Report & Meetings	450	50	500	1,625
Bank Charges	-	39	39	523
Consultants	19,017	-	19,017	9,420
Depreciation	646	72	718	718
Design	-	-	-	3,028
Dues/Subscriptions	1,741	193	1,934	752
Grant expenses	-	-	-	8,247
Insurance	5,529	614	6,143	4,171
Janitor/Maintenance	-	-	-	780
Legal Fees	1,713	190	1,903	-
Meals	841	93	934	-
Miscellaneous	63	7	70	313
Payroll Fees	707	79	785	-
Phone/Fax	-	-	-	2,870
Postage	46	5	51	142
Printing/Copies	1,622	180	1,802	-
Promotions - Special Projects/Events	39,642	4,405	44,047	52,525
Rent	15,790	1,754	17,544	17,544
Repairs & Maintenance	12,083	1,343	13,425	335
Social/Hospitality	-	-	-	224
Supplies	2,537	282	2,819	1,126
Travel	809	90	899	24
Utilities	2,512	279	2,791	-
Total Expenses	\$ 214,313	\$ 21,739	\$ 236,052	\$ 233,110

The accompanying notes are an integral part of these financial statements.

**EL CAJON BOULEVARD
BUSINESS IMPROVEMENT ASSOCIATION**
Statement of Cash Flows
For the Year Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 6,344	\$ 6,878
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	718	718
(Increase)/Decrease in Accounts Receivable	11,406	8,052
(Increase)/Decrease in Prepaid Expenses	1,715	(1,872)
Increase/(Decrease) in Accounts Payable	-	-
Increase/(Decrease) in Deferred Income	(3,396)	(2,894)
Total Adjustments	10,443	4,004
Net Cash Provided(Used) by Operating Activities	16,787	10,882
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities	-	-
 Net Increase/(Decrease) in Cash	 16,787	 10,882
Cash at Beginning of Period	63,995	53,113
Cash at End of Period	\$ 80,782	\$ 63,995

The accompanying notes are an integral part of these financial statements.

**EL CAJON BOULEVARD
BUSINESS IMPROVEMENT ASSOCIATION**
Notes to Financial Statements
June 30, 2017

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

El Cajon Boulevard Business Improvement Association ("the Association") is a non-profit organization, organized for the purpose of promoting, improving and fostering business conditions in the City of San Diego along El Cajon Boulevard pursuant to City ordinance 16919, which established and defined a parking and business improvement area as the El Cajon Boulevard Business Improvement District under the provisions of the Parking and Business Improvement Area Law of 1979 of the State of California and enabling ordinances of the City of San Diego.

Financial Statement Presentation

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

- * Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Organization.
- * Temporarily restricted net assets consist of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- * Permanently restricted net assets consist of contributions subject to donor-imposed stipulations that they be maintained permanently by the Organization.

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 from 3 to 7 years. All property and equipment purchased by the Association 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, the Association is required to deliver such assets to the City of San Diego.

Income Taxes

The Association was organized as a non-profit organization and was granted exemption from Federal and State income taxes under sections 501(c)(6) of the Internal Revenue Code and 23701(e) of the State of California Revenue and Taxation Law.

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. These estimates are based on information available as of the date of the financial statement, therefore, actual results could differ from these estimates. Management of the Association has evaluated its tax position and related income tax contingencies. Management does not believe that any material uncertain tax position exist. The Association generally is no longer subject to income tax examinations by federal authorities for the years ending June 30, 2013 and before and by state authorities for years ending June 30, 2012 and before.

NOTE 2 - Revenues

The Association is funded principally by the City of San Diego. City of San Diego receives the funds as a special assessment collected together with business licensing fees from businesses located within the El Cajon Boulevard business district. Such funds are used to reimburse El Cajon Boulevard Business Improvement Association for approved district activities and maintenance expenses. The Association also receives revenue from the city for metered parking. In addition, the Association organizes annual and special events which are held within the El Cajon business district. Monies raised from these activities help fund improvement projects in the business district.

NOTE 3 - Accounts Receivable

The balance in accounts receivable represents the unpaid claims as follows:

City of San Diego	\$ 7,706
City Heights Community Dev.	<u>5,000</u>
	<u>12,706</u>

NOTE 4 – Lease Agreement

The Association conducts its operations from a facility located at 3727 El Cajon Boulevard, San Diego, CA, 92105 leased at a monthly rate of \$1,462, on a month to month basis.

NOTE 5 – Pending Lawsuit

El Cajon Boulevard Business Improvement Association is one of the nonprofit organizations named as defendants in three lawsuits filed by San Diegans for Open Government (Plaintiff/Petitioner):

The first one was filed in 2014, an additional lawsuit was filed in 2015 which has been consolidated with the original 2014 lawsuit and is considered one lawsuit for which trial is scheduled for February 23, 2018.

On June 6, 2017, a second lawsuit was filed to challenge the most recent fiscal year which is nearly exactly the same as the 2014 case. The Municipal Defendants have filed a motion with the court to narrow this case down to a single lawsuit (similar to the first case). The Municipal Defendants also filed a motion to consolidate this lawsuit with the 2014 case as it involves exactly the same issues. Trial has not been currently set for this most current lawsuit.

On February 2017, San Diegans for Open Government filed a third lawsuit, petition for Writ of Mandate under the California Public Records Act and Other Laws. Trial is scheduled to start at the beginning of 2018.

The above lawsuits challenge Municipal Defendants' authorization of a variety of tax levies and collections labeled as "assessments" by Municipal Defendants in order to avoid public scrutiny without first obtaining the requisite approval of the voters of the City of San Diego, and the approval of the illegal tax and related contracts in violation of conflict-of-interest laws. Municipal Defendants deny that the challenged assessments are taxes within the relevant definition and that public approval of them is required. The City is defending that issue and motion to determine that issue is set to be heard in January of 2018. An appeal by the losing party will likely follow the outcome of that motion.

NOTE 6 – Subsequent Events

Subsequent events have been evaluated through January 24, 2018, which is the date the financial statements were available to be issued.