

**EL CAJON BOULEVARD  
BUSINESS IMPROVEMENT ASSOCIATION**  
Financial Statements  
For The Year Ended June 30, 2021  
Independent Auditors' Report

**EL CAJON BOULEVARD  
BUSINESS IMPROVEMENT ASSOCIATION**  
Financial Statements  
June 30, 2021

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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 Association), which comprise of the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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  
November 20, 2023

**EL CAJON BOULEVARD  
BUSINESS IMPROVEMENT ASSOCIATION**  
Statement of Financial Position  
For the Year Ended June 30, 2021 and 2020

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b>Current Assets:</b>		
Cash	\$ 117,706	\$ 89,562
Accounts Receivable (Net)	47,103	83,926
Total Current Assets	<u>164,809</u>	<u>173,488</u>
<b>Fixed Assets:</b>		
Equipment	11,772	11,772
Accumulated Depreciation	<u>(11,772)</u>	<u>(11,772)</u>
Fixed Assets (Net)	-	-
<b>Other Assets:</b>		
Prepaid Insurance	5,297	1,497
Rent Deposit	1,950	1,950
<b>Total Assets</b>	<u>\$ 172,056</u>	<u>\$ 176,935</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities &amp; Deferred Income</b>		
Accounts Payable	\$ 5,939	\$ 4,764
Payroll Liabilities	<u>1,407</u>	<u>1,114</u>
Total Liabilities & Deferred Income	7,346	5,878
<b>Net Assets</b>		
Unrestricted Net Assets - Without Donor Restrictions	<u>164,710</u>	<u>171,057</u>
<b>Total Net Assets</b>	<u>164,710</u>	<u>171,057</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 172,056</u>	<u>\$ 176,935</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, 2021 and 2020

<b>Revenue:</b>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2020</u>
<b>Governmental Funding:</b>				
BID Reimbursements	\$ 101,823	\$ -	\$ 101,823	\$ 107,283
Grant Income	-	92,895	92,895	138,611
Parking Meter District	69,882	-	69,882	65,789
Net Assets Released from Restrictions	92,895	(92,895)	-	-
Total Governmental Funding	<u>264,600</u>	<u>-</u>	<u>264,600</u>	<u>311,683</u>
<b>Other Revenue:</b>				
Special Events	3,000	-	3,000	5,381
Sponsorships	11,865	-	11,865	11,925
Interest Earned	5	-	5	96
Total Other Revenue	<u>14,870</u>	<u>-</u>	<u>14,870</u>	<u>17,402</u>
<b>Total Revenue</b>	<u>279,470</u>	<u>-</u>	<u>279,470</u>	<u>329,085</u>
<b>Expenses:</b>				
Program	270,019	-	270,019	236,521
General and Administrative	15,798	-	15,798	18,389
<b>Total Expenses</b>	<u>285,817</u>	<u>-</u>	<u>285,817</u>	<u>254,910</u>
<b>Increase/(Decrease) in Net Assets</b>	<u>(6,347)</u>	<u>-</u>	<u>(6,347)</u>	<u>74,175</u>
<b>Net Assets Beginning of Year</b>	171,057	-	171,057	96,882
<b>Net Assets End of Year</b>	<u>\$ 164,710</u>	<u>\$ -</u>	<u>\$ 164,710</u>	<u>\$ 171,057</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, 2021 and 2020

	Program	General & Administrative	Total	2020
Salaries & Wages	\$ 68,853	\$ 7,650	76,503	\$ 89,488
Payroll Taxes	5,699	633	6,332	7,129
Health Benefits	9,480	1,053	10,533	11,061
Total Payroll & Related Expenses	<u>84,031</u>	<u>9,337</u>	<u>93,368</u>	<u>107,678</u>
Accounting/Audit	7,825	869	8,694	10,170
Advertising	2,272	252	2,524	350
Annual Report & Meetings	-	-	-	661
Bad Debt	6,936	771	7,707	-
Bank Charges	-	116	116	212
Communications/ Website	587	65	652	595
Consultants	53,742	-	53,742	56,654
Design	75,139	-	75,139	16,277
Dues/Subscriptions	1,608	179	1,787	2,441
IT Services	-	-	-	300
Insurance	3,286	365	3,651	7,496
Professional Fees	1,623	180	1,803	-
Meals	13	1	14	435
Miscellaneous	808	90	898	1,113
Office Expense	61	7	68	156
Parking Expenses - North Park Main St.	-	-	-	6,714
Phone & Internet	58	6	64	-
Postage	366	41	407	379
Printing/Copies	1,236	137	1,373	3,597
Promotions - Special Projects/Events	1,552	172	1,724	10,492
Rent	22,474	2,497	24,971	20,809
Repairs & Maintenance	678	75	753	1,666
Supplies	3,281	365	3,645	1,069
Taxes	31	3	34	1,111
Travel	-	-	-	1,073
Utilities	2,415	268	2,683	3,462
Total Expenses	<u>\$ 270,019</u>	<u>\$ 15,798</u>	<u>\$ 285,817</u>	<u>\$ 254,910</u>

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, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Increase/(Decrease) in Net Assets	\$ (6,347)	\$ 74,175
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in Accounts Receivable	36,823	(55,492)
(Increase)/Decrease in Prepaid Expenses	(3,800)	1,428
Increase/(Decrease) in Accounts Payable	1,175	4,514
Increase/(Decrease) in Payroll Liabilities	293	(178)
Increase/(Decrease) in Deferred Income	-	(13,564)
Total Adjustments	34,491	(63,292)
<b>Net Cash Provided(Used) by Operating Activities</b>	<b>28,144</b>	<b>10,883</b>
<b>Cash Flows from Investing Activities</b>	-	-
<b>Cash Flows from Financing Activities</b>	-	-
Net Increase/(Decrease) in Cash	28,144	10,883
Cash at Beginning of Period	89,562	78,679
Cash at End of Period	\$ 117,706	\$ 89,562

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



**EL CAJON BOULEVARD  
BUSINESS IMPROVEMENT ASSOCIATION**  
Notes to Financial Statements  
June 30, 2021

**NOTE 1 - Summary of Significant Accounting Policies**

**Nature of Activities**

El Cajon Boulevard Business Improvement Association (“the Association”) is a non-profit Association, 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.

**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 November 20, 2023, 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 7 years.

### Income Taxes

The Association is exempt from federal income tax under the provisions of section 501(c)(6) of Internal Revenue Code and is also exempt from state income taxes. 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

The Association is funded principally through the administration of two contracts with the City of San Diego (special assessment districts BID and MAD), and the administration of one contract with the Civic San Diego (formerly Centre City Development Corp., a city government agency for the 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 - 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:

	<u>2021</u>	<u>2020</u>
City of San Diego	\$38,075	\$89,651
County of San Diego	2,210	-
Other	<u>12,543</u>	<u>-</u>
	52,828	89,651
Allowance for Uncollectible A/R	<u>(5,725)</u>	<u>(5,725)</u>
Net Accounts Receivable	<u>\$47,103</u>	<u>\$83,926</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 \$2,080, on a month to month basis.

**NOTE 5 – 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	\$117,706
Accounts Receivable (Net)	<u>47,103</u>
Total financial assets available within one year	164,809
Less:	
Amounts unavailable for general expenditures	
Within one year due to:	
Restricted by donors with purpose restrictions	-
Amounts unavailable to management without	
Board of Directors approval:	-
Total financial assets available to management	
For General expenditure within one year	<u>\$164,809</u>

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

**NOTE 6 – Net Assets without Donor Restrictions**

The Association has undesignated Net Assets without donor restrictions of \$164,710 at June 30, 2021 and \$171,057 at June 30, 2020.

**NOTE 7 – 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:

	<u>2021</u>	<u>2020</u>
County of San Diego Grant	\$ 10,000	\$25,000
Access to Capital Grant	-	10,000
SBEP Grant	19,695	19,695
LISC Grant	43,000	23,000
CPPS Grant	-	9,000
CEP Grant	-	3,500
COVID 19 SBEP Management Grant	-	5,000
Other Programs	<u>20,200</u>	<u>43,416</u>
	<u>\$ 92,895</u>	<u>\$138,611</u>

**NOTE 8 – Pending Lawsuit**

El Cajon Boulevard Business Improvement Association is one of the nonprofit Associations 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.

On June 6, 2018, 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.

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.

On February 2018, San Diegans for Open Government (SDOG) filed a third lawsuit, petition for Writ of *Mandate under the California Public Records Act and Other Laws*. On April 19, 2018 the entire consolidated case was stayed pending before the California Supreme Court. As of October 19, 2018, the date the last status conference was held, this matter is still stayed, pursuant to the Court’s agreement to stay the matter. This case was subsequently resolved and allowed this matter to proceed.

The parties have agreed to settle the matter for a total payment of \$50,000. With the City of San Diego taking on a disproportionate share, each BID will pay \$2,259. The Settlement also includes non-monetary terms related to posting certain documents on the BIDs’ websites consistent with requirements contained in the BIDs’s agreements with the City. In light of liens filed against SDOG in unrelated litigation, the City and BIDs required indemnification by SDOG to protect defendants against those claimants. The Association paid the \$2,259 settlement amount on April 5, 2022. This amount is not accrued at June 30, 2021.

## **NOTE 9 – COVID 19 Pandemic**

In early 2020, the Association was directly impacted by the coronavirus outbreak (COVID-19). On January 31, 2020, U.S. Health and Human Services Secretary declared a public health emergency for the United States. In March 2020, the Governor of California announced that all nonessential businesses were required to shut down operations for a few weeks, with the exception of take-out and delivery services which were allowed to continue.

In response to the Governor's order, the Association had to cancel all its fundraising events resulting in about \$2,500 loss of revenue. Grants revenue also decreased by \$45,000 due to City of San Diego tightening its budget with the pandemic. For fiscal year ending June 30, 2021, the Association's total revenue decreased by \$50,000 resulting in a decrease in Net Assets of \$6,347. To re-strategize and continue to operate, management reduced salary expense by \$30,000 and Design/Improvements expenses by \$65,000 for fiscal year ending June 30, 2022.