

# ADG CPA

## COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018

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# ADG CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**College Area Economic Development Corporation**

I have audited the accompanying financial statements of College Area Economic Development Corporation (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, functional expenses 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 College Area Economic Development Corporation 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.



Andres D. Garcia, CPA  
July 17, 2019

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 74,183	\$ 80,721
Accounts Receivable	72,634	55,969
Prepaid Expenses	-	450
Total Current Assets	<u>146,817</u>	<u>137,140</u>
<b>TOTAL ASSETS</b>	<u>\$ 146,817</u>	<u>\$ 137,140</u>
 <b>LIABILITIES:</b>		
Accounts Payable	\$ -	\$ 94
Accrued Vacation	2,044	3,546
Deferred Revenue	-	382
MAD Advance	100,000	100,000
Total Current Liabilities	<u>102,044</u>	<u>104,022</u>
<b>TOTAL LIABILITIES</b>	<u>102,044</u>	<u>104,022</u>
 <b>NET ASSETS:</b>		
Without Donor Restrictions	<u>44,773</u>	<u>33,118</u>
<b>TOTAL NET ASSETS</b>	<u>44,773</u>	<u>33,118</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 146,817</u>	<u>\$ 137,140</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>REVENUE AND SUPPORT</b>		
Government Funding		
City of San Diego - Maintenance Assessment District	\$ 374,901	\$ 383,234
City of San Diego - Business Improvement District	68,892	64,387
City of San Diego - Small Business Enhancement Program	23,633	27,778
City and County Grants - Boo Parade	-	10,000
City and County Grants	15,000	-
Total Government Funding	482,426	485,399
Boo Parade - Excluding Government Grants	-	27,420
In Kind Contribution of Facilities	24,900	25,543
Donations	16,407	-
PROW, Mixer Admission, & Associate Supporter Dues	3,426	3,530
Other Income	260	532
Insurance Dividend	354	353
<b>TOTAL REVENUE AND SUPPORT</b>	527,773	542,777
<b>EXPENSES</b>		
Program Expenses	481,380	525,153
General & Administrative Expenses	34,738	23,772
<b>TOTAL EXPENSES</b>	516,118	548,925
<b>CHANGE IN NET ASSETS</b>	11,655	(6,148)
<b>NETS ASSETS, BEGINNING OF YEAR</b>	33,118	39,266
<b>NET ASSETS, END OF YEAR</b>	\$ 44,773	\$ 33,118

The Accompanying Notes are an Integral Part of the Financial Statements



**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Payroll & Related			
Salaries & Wages	\$ 70,227	\$ 9,577	\$ 79,804
Employee Benefits	8,173	1,114	9,287
Payroll Taxes	6,573	896	7,469
Total Payroll & Related	<u>84,973</u>	<u>11,587</u>	<u>96,560</u>
Maintenance & Service Contractors	299,245	-	299,245
Rent	25,344	3,456	28,800
Contingency Reserve	21,197	-	21,197
Promotion	20,016	-	20,016
Office Equipment & Supplies	2,600	7,826	10,426
Repair & Janitorial	1,869	6,330	8,199
Utilities	7,303	-	7,303
Insurance	5,342	-	5,342
Bad Debt	-	4,600	4,600
Accounting & Audit	4,200	-	4,200
Board, Staff & Mixer Expenses	2,768	416	3,184
Telephone	2,740	-	2,740
Printing	1,794	-	1,794
Postage	1,214	-	1,214
Dues & Subscriptions	775	80	855
Legal	-	355	355
Merchant Fees	-	88	88
<b>Total Expenses</b>	<u>\$ 481,380</u>	<u>\$ 34,738</u>	<u>\$ 516,118</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Payroll & Related			
Salaries & Wages	\$ 83,828	\$ 11,431	\$ 95,259
Employee Benefits	8,241	1,124	9,365
Payroll Taxes	7,073	964	8,037
Total Payroll & Related	<u>99,142</u>	<u>13,519</u>	<u>112,661</u>
Maintenance & Service Contractors	298,601	-	298,601
Boo Parade Expenses	36,918	-	36,918
Rent	25,344	3,456	28,800
Contingency Reserve	16,566	-	16,566
Event Expenses: CAFÉ, Rolando, etc.	14,433	1,625	16,058
Utilities	7,620	-	7,620
Printing	5,866	-	5,866
Insurance	5,679	-	5,679
Legal	-	4,421	4,421
Accounting & Audit	4,200	-	4,200
Office Equipment & Supplies	3,298	138	3,436
Telephone	2,858	-	2,858
Board, Staff & Mixer Expenses	1,963	431	2,394
Postage	1,343	-	1,343
Dues & Subscriptions	714	100	814
Repair & Janitorial	600	-	600
Miscellaneous	-	50	50
Merchant Fees	8	32	40
<b>Total Expenses</b>	<u>\$ 525,153</u>	<u>\$ 23,772</u>	<u>\$ 548,925</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 11,655	\$ (6,148)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable	(16,665)	(27,874)
Prepaid Expenses	450	8,284
Increase (Decrease) in:		
Accounts Payable	(94)	94
Accrued Vacation	(1,502)	-
Deferred Revenue	(382)	(2,118)
<b>CASH FLOWS (USED) BY OPERATING ACTIVITIES</b>	<u>(6,538)</u>	<u>(27,762)</u>
<b>(Decrease) in Cash</b>	(6,538)	(27,762)
<b>Cash &amp; Cash Equivalents, Beginning of Period</b>	<u>80,721</u>	<u>108,483</u>
<b>Cash &amp; Cash Equivalents, End of Period</b>	<u>\$ 74,183</u>	<u>\$ 80,721</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 and 2018**

**Note 1.      Nature of Organization**

College Area Economic Development Corporation (the "Organization") is a nonprofit corporation organized pursuant to City Ordinance 18263 which established and defined a parking and business improvement area known as the College Area Business Improvement District under the provisions of the Parking and Business Improvement Area Law of the State of California and enabling ordinances of the City of San Diego for the purpose of promoting events and fostering business/economic development in the City of San Diego area commonly known as the College Area of San Diego.

The Organization's activities include promotion, economic development, organization via newsletter and directory, design, Small Business Enhancement Program Funds, and promotional materials. In addition, the Organization is responsible for ensuring maintenance including litter control, illegal dump removal, graffiti control, sidewalk safety hazard monitoring, lighting service, tree maintenance, and security.

**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 receivables, payables and other assets and 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 restrictions.

*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 cost-reimbursement contracts with the City of San Diego and other invoices to businesses in the district. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of June 30, 2019 and 2018.



**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 and 2018**

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

*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. The Organization 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 the Organization 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 Organization 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. The Organization did receive \$3,950 of donated sponsorship materials in the year ending June 30, 2018, related to the Boo Parade. These amounts met the criteria for recognition and are recognized as Boo Parade revenue and expenses in the financial statements.

*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, 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 the Organization's receivables consist of earned fees from reimbursement-contracts granted by the City of San Diego. Management has determined that all balances are collectible.

*Revenues:* The Organization is funded principally by the City of San Diego through the Business Improvement District (BID), the Maintenance Assessment District (MAD), Small Business Enhancement Program Management Grant (SBEP), Transient Occupancy Tax (TOT) and grants. In addition, the Organization holds special events to promote the business environment in the area and also generates income from other programs.

*Functional Allocation of Expenses:* The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees and contractors of the Organization providing these services.

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 and 2018**

**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)(3) and California State Tax Code 23701(d), 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, 2019, 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. Accounts Receivable**

The balance of accounts receivable of \$72,634 and \$55,969 as of June 30, 2019 and 2018, respectively, represent unpaid claims submitted to the City of San Diego for expenditures incurred through June 30, 2019 and 2018 and other receivables to businesses within the district as follows:

	<u>2019</u>	<u>2018</u>
City of San Diego – MAD	\$ 61,008	\$ 51,369
City of San Diego – BID	6,626	-
City of San Diego	5,000	-
Other Receivables	-	4,600
	<u>\$ 72,634</u>	<u>\$ 55,969</u>

**Note 5. MAD - Advance and Deferred Revenue**

The contracts that the Organization maintains with the City of San Diego are all reimbursement contracts. To allow the Organization to operate efficiently, the City of San Diego provided an advance of MAD funds. The balance of this advance was \$100,000 at June 30, 2019 and at June 30, 2018.

Deferred revenue at June 30, 2018 consists of FY-19 BID Assessments of \$382.

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 and 2018**

**Note 6. Commitments and Contingencies**

The Organization'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, the Organization has no provisions for the possible disallowance of program costs on its financial statements. Management has submitted all reports required by funding agencies and is not aware of the existence of any potential disallowances.

**Note 7. Lease Agreement and Contribution of Facilities**

The Organization leases its office space from the City of San Diego through a Right of Entry Permit (Permit). The Permit was for three years and expired on December 31, 2009. The City and the Organization have extended this lease on an annual basis since its expiration. For the period of January 1, 2017 through December 31, 2017, the annual rent was \$3,500.00 or \$291.67 per month. For the period of January 1, 2018 through December 31, 2018, the annual rent was \$3,597.50 or \$299.79 per month. For the period of January 1, 2019 through December 31, 2019, the annual rent is \$3,737.52 or \$311.46 per month. Either party can terminate this lease at any time with a 60 day advance written notice.

The facility has an estimated area of 1,470 square feet and an estimated rent value of \$2,400 per month for the years ending June 30, 2019 and 2018; the difference between the estimated value and the actual payment is reflected in the financial statements as an In Kind Contribution of Facilities and is included in Rent Expense.

**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>	<u>06/30/2018</u>
Financial assets at year-end	\$ 146,817	\$ 136,690
Less those unavailable for general expenditures within one year: none	_____ -	_____ -
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 146,817</u>	<u>\$ 136,690</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 July 17, 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.