

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**

Financial Statements
For The Fiscal Year Ended June 30, 2017 & 2016
And
Accountants' Report

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**
June 30, 2017 & 2016

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**Guerrero, Jimenez, Diaz
& Co. LLP**

A Certified Public Accounting Firm

INDEPENDENT AUDITORS' REPORT

To Board of Directors
Old Town San Diego Chamber of Commerce
San Diego, California

We have audited the accompanying financial statements of Old Town San Diego Chamber of Commerce (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 Old Town San Diego Chamber of Commerce 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.

Report on Supplementary Information

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 9 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 Old Town San Diego Chamber of Commerce 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 9, 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
December 15, 2017

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
Statements of Financial Position
June 30, 2017 & 2016

ASSETS

	2017	2016
Current Assets		
Cash in Banks	\$ 133,240	\$ 73,329
Accounts Receivable	<u>31,645</u>	<u>55,590</u>
Total Current Assets	164,885	128,919
Office Furniture	409	409
Office Equipment	3,410	3,410
Accumulated Depreciation & Amortization	<u>(3,819)</u>	<u>(3,819)</u>
Total Fixed Assets	-	-
Security Deposit	<u>2,783</u>	<u>2,783</u>
Total Other Assets	2,783	2,783
Total Assets	\$ <u>167,668</u>	\$ <u>131,702</u>

LIABILITIES & NET ASSETS

Liabilities:		
Accounts Payable	\$ 3,773	\$ 436
Income Tax Liability	9,176	9,176
Due to Historic Old Town Community Foundation	<u>-</u>	<u>17,074</u>
Total Liabilities	12,949	26,686
Net Assets		
Temporarily Restricted Net Assets	50,000	-
Unrestricted Net Assets	<u>104,719</u>	<u>105,016</u>
Total Net Assets	154,719	105,016
Total Liabilities & Net Assets	\$ <u>167,668</u>	\$ <u>131,702</u>

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

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
Statements of Activity
For the Year Ended June 30, 2017 & 2016

	Unrestricted	Temporarily Restricted	2017	2016
Revenue:				
B.I.D. Reimbursement	\$ 34,000		\$ 34,000	\$ 33,938
SBEP	19,779		19,779	18,606
Fundraising	17,440		17,440	24,306
Special Events Income	155,401		155,401	142,045
City of San Diego Funding for Special Events	1,761		1,761	29,531
Grants	1,500	50,000	51,500	5,000
Other Revenue	6,715		6,715	7,207
Total Revenues	236,596	50,000	286,596	260,633
Expenses:				
Program Services	193,376	-	193,376	200,391
General & Management	43,517	-	43,517	48,158
Total Expenses	236,893	-	236,893	248,549
Increase/(Decrease) in Unrestricted Net Assets	(297)	50,000	49,703	12,084
Net Assets, Beginning of Year	105,016	-	105,016	92,932
Net Assets, End of Year	\$ 104,719	50,000	\$ 154,719	\$ 105,016

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

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE

Statements of Cash Flows

For the Year Ended June 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Increase/(Decrease) in Unrestricted Net Assets	\$ 49,703	\$ 12,084
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease/(Increase) in Accounts Receivable	23,945	(15,015)
Decrease/(Increase) in Prepaid Expenses	-	1,000
Increase/(Decrease) in Accounts Payable	3,337	436
Increase/(Decrease) in Other Liabilities	<u>(17,074)</u>	<u>16,574</u>
Total Adjustments	10,208	2,995
Net Cash Provided by Operating Activities	<u>59,911</u>	<u>15,079</u>
Cash Flows from Investing Activities	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities		
Prior Period Adjustment	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash	59,911	15,079
Cash at Beginning of Period	<u>73,329</u>	<u>58,250</u>
Cash at End of Period	<u>\$ 133,240</u>	<u>\$ 73,329</u>

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

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE

Notes to Financial Statements

June 30, 2017 & 2016

NOTE 1- Summary of Significant Accounting Policies

Nature of Business

Old Town San Diego Chamber of Commerce (the "Organization") is a non-profit consortium of local businesses organized in 1945 for the purpose of promoting, improving and fostering business conditions in the City of San Diego in the area commonly known as Old Town pursuant to City Ordinance 286021, which established and defined a parking and business improvement area as the Old Town San Diego Chamber of Commerce under the provisions of the Parking and Business Improvement Area of Law of 1979 of the State of California and enabling ordinances of the City of San Diego.

Depreciation

The Organization's equipment and furniture is fully depreciated.

Income tax status

The Organization has been granted exemption from federal income tax under Section 501(c)6 of the Internal Revenue Code and similar California law under Sections 9910-9927 of the Corporation codes and is not subject to income taxes on related business income. Management of the organization has evaluated its tax position and related income tax contingencies. Management does not believe that any material uncertain tax position exists with the exception of prior years penalties and interests described in Note 6. 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.

Basis of Accounting

The financial statements of the organization are prepared on the accrual basis of accounting.

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 statements, therefore, actual results could differ from these estimates.

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 represents the portion of expendable funds that are available for support of the operations of the organization
- * Temporarily Restricted Net Assets consists 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 consists of contributions subject to donor-imposed stipulations that they be maintained permanently by the organization.

NOTE 2 – Accounts Receivable

The accounts receivable represents unpaid claims submitted to the City of San Diego and various customers for expenditures incurred through the fiscal year ended June 30, 2017 and 2016, listed as follows:

	<u>2017</u>	<u>2016</u>
City of San Diego	28,898	29,531
Historic O.T. Community Found.	-	17,075
Event Sponsor	2,747	5,161
Other Customers	-	<u>3,823</u>
Total Claims Due	<u>\$31,645</u>	<u>\$55,590</u>

NOTE 3 – Special Events Income

The Special Events Income and City of San Diego EDTS Funding for Special Events account comprised of the following:

	<u>2017</u>	<u>2016</u>
Art Festival	46,997	53,736
Saturday Market	51,180	68,249
Taste of Old Town	31,287	44,250
Other	<u>27,698</u>	<u>5,341</u>
Total Special Events Income	<u>\$157,162</u>	<u>\$171,576</u>

NOTE 4 – Special Events Expense

The Special Events expense account represents expenses incurred for the following events:

	<u>2017</u>	<u>2016</u>
Art Festival	55,253	54,897
Saturday Market	2,319	1,969
Taste of Old Town	10,544	6,374
Others	<u>704</u>	<u>-</u>
Total Special Events Expense	<u>\$ 68,820</u>	<u>\$ 63,240</u>

NOTE 5 – Temporarily Restricted Funds

Temporarily Restricted Net Assets of \$50,000 represents a grant from the Count of San Diego for the design and construction of the Confucius statue at the Six Arts Center on the San Diego State campus.

NOTE 6 – Pending Lawsuit

Old Town Chamber of Commerce 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.

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.

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 currently set for December 8, 2017.

NOTE 7 – Income Tax Liability

The Income Tax Liability amount of \$9,176 represents penalties plus interest due to the Internal Revenue Service for tax years 2003, 2005, and 2008 due to late filing of tax returns. The Organization is currently working with the IRS to have this liability abated.

NOTE 8 – Subsequent Events

Subsequent events have been evaluated through December 15, 2017, which is the date the financial statements were available to be issued.

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
Schedule of Functional Expenses
For the Year Ended June 30, 2017 & 2016

	<u>Program Services</u>	<u>General & Management</u>	<u>2017 Total</u>	<u>2016 Total</u>
Expenses:				
Accounting	\$ 1,876	924	\$ 2,800	\$ 4,100
Advertising	23,491	-	23,491	26,083
Bank Fees	(433)	(213)	(646)	340
Auto Expense	207	89	295	763
Designs	22,321	-	22,321	19,808
Dues & Subscriptions	704	347	1,050	460
Election Expenses	1,183	582	1,765	1,728
Insurance	1,428	703	2,131	2,972
Meetings	54	27	81	825
Miscellaneous	736	363	1,099	1,552
Parking	10,442	-	10,442	12,758
Postage	332	163	495	560
Professional fees	559	276	835	2,380
Printing	143	-	143	1,341
Rent	16,528	8,140	24,668	34,888
Salaries & Payroll Taxes	38,032	28,691	66,723	68,261
Supplies	3,199	1,575	4,774	2,743
Special Events	68,820	-	68,820	63,240
Website	335	165	500	-
Annual Report	165	82	247	-
Awards	307	151	458	-
Telephone	1,856	914	2,770	2,919
Repairs & Maintenance	1,093	538	1,631	828
Total Expenses	\$ 193,376	43,517	\$ 236,893	\$ 248,549

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