

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**

Financial Statements
For The Fiscal Year Ended June 30, 2018 & 2017
Independent Auditors' Report

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**
June 30, 2018 & 2017

Table of Contents

<u>Page</u>	<u>Description</u>
1-2	Accountants' Report
3	Statement of Financial Position
4	Statement of Activities
5	Statement of Cash Flows
6-8	Notes to Financial Statements
9	Schedule of Functional Expenses



**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, 2018 and 2017, 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, 2018 and 2017, 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 financial statements as of June 30, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Guerrero, Jimenez, Diaz & Co. LLP

Guerrero, Jimenez, Diaz & Co., LLP
Certified Public Accountants
February 13, 2019

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
 Statements of Financial Position
 June 30, 2018 & 2017

ASSETS

	2018	2017
Current Assets		
Cash in Banks	\$ 109,350	\$ 133,240
Accounts Receivable	29,981	31,645
Total Current Assets	<u>139,331</u>	<u>164,885</u>
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><u>\$ 142,114</u></u>	<u><u>\$ 167,668</u></u>

LIABILITIES & NET ASSETS

Liabilities:		
Accounts Payable	\$ 13,518	\$ 3,773
Income Tax Liability	9,176	9,176
Grant Advances	<u>14,878</u>	<u>-</u>
Total Liabilities	37,572	12,949
Net Assets		
Temporarily Restricted Net Assets	-	50,000
Unrestricted Net Assets	<u>104,542</u>	<u>104,719</u>
Total Net Assets	104,542	154,719
Total Liabilities & Net Assets	<u><u>\$ 142,114</u></u>	<u><u>\$ 167,668</u></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, 2018 & 2017

	Unrestricted	Temporarily Restricted	2018	2017
Revenue:				
B.I.D. Reimbursement	\$ 31,540	\$	\$ 31,540	\$ 34,000
SBEP	17,101		17,101	19,779
Fundraising	22,628		22,628	17,440
Special Events Income	165,595		165,595	155,401
City of San Diego Funding for Special Events	11,544		11,544	1,761
Grants	6,485		6,485	51,500
Net Assets Released from Restrictions	50,000	(50,000)	-	-
Other Revenue	3,670		3,670	6,715
Total Revenues	308,563	(50,000)	258,563	286,596
Expenses:				
Program Services	260,144	-	260,144	193,376
General & Management	48,596	-	48,596	43,517
Total Expenses	308,740	-	308,740	236,893
Increase/(Decrease) in Unrestricted Net Assets	(177)	(50,000)	(50,177)	49,703
Net Assets, Beginning of Year	104,719	50,000	154,719	105,016
Net Assets, End of Year	<u>\$ 104,542</u>	<u>-</u>	<u>\$ 104,542</u>	<u>\$ 154,719</u>

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, 2018 & 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Increase/(Decrease) in Unrestricted Net Assets	\$ (50,177)	\$ 49,703
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease/(Increase) in Accounts Receivable	1,664	23,945
Increase/(Decrease) in Accounts Payable	9,745	3,337
Increase/(Decrease) in Other Liabilities	14,878	(17,074)
Total Adjustments	<u>26,287</u>	<u>10,208</u>
Net Cash Provided by Operating Activities	<u>(23,890)</u>	<u>59,911</u>
Cash Flows from Investing Activities		
	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities		
	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash	(23,890)	59,911
Cash at Beginning of Period	<u>133,240</u>	<u>73,329</u>
Cash at End of Period	\$ <u><u>109,350</u></u>	\$ <u><u>133,240</u></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, 2018 & 2017

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 Organization generally is no longer subject to income tax examinations by federal authorities for the years ending June 30, 2014 and before and by state authorities for years ending June 30, 2013 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, 2018 and 2017, listed as follows:

	<u>2018</u>	<u>2017</u>
City of San Diego	27,231	28,898
Event Sponsor	<u>2,750</u>	<u>2,747</u>
Total Claims Due	<u>\$29,981</u>	<u>\$31,645</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>2018</u>	<u>2017</u>
Art Festival	28,991	46,997
Saturday Market	84,218	51,180
Taste of Old Town	26,562	31,287
Other	<u>37,368</u>	<u>27,698</u>
Total Special Events Income	<u>\$177,139</u>	<u>\$157,162</u>

NOTE 4 – Special Events Expense

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

	<u>2018</u>	<u>2017</u>
Art Festival	35,601	55,253
Saturday Market	19,817	2,319
Taste of Old Town	9,569	10,544
Others	<u>39,603</u>	<u>704</u>
Total Special Events Expense	<u>\$104,590</u>	<u>\$ 68,820</u>

NOTE 5 – Temporarily Restricted Funds

During the year ended June 30, 2018, the Organization spent \$50,000 of temporarily restricted funds for the Wayfinding project as a result of the fulfillment of the donor imposed stipulation.

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.

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.

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 2017, San Diegans for Open Government 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. The next status conference is scheduled for July 26, 2019.

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 February 13, 2019, 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, 2018 & 2017

	Program Services	General & Management	2018 Total	2017 Total
Expenses:				
Accounting	\$ 3,283	1,617	\$ 4,900	\$ 2,800
Advertising	14,365	-	14,365	23,491
Bank Fees	121	60	181	(646)
Auto Expense	538	230	768	295
Designs	52,402	-	52,402	22,321
Dues & Subscriptions	704	347	1,050	1,050
Election Expenses	486	239	725	1,765
Insurance	1,861	917	2,778	2,131
Meetings	610	300	910	81
Miscellaneous	190	93	283	1,099
Parking	12,089	-	12,089	10,442
Postage	82	41	123	495
Professional fees	1,514	746	2,260	835
Printing	-	-	-	143
Rent	19,127	9,421	28,548	24,668
Salaries & Payroll Taxes	41,450	31,270	72,720	66,723
Supplies	1,992	981	2,973	4,774
Special Events	104,590	-	104,590	68,820
Website	239	118	357	500
Annual Report	1,023	504	1,527	247
Awards	257	127	384	458
Telephone	2,041	1,005	3,046	2,770
Repairs & Maintenance	1,180	581	1,761	1,631
Total Expenses	\$ 260,144	48,596	\$ 308,740	\$ 236,893

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