

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**

Financial Statements
For The Fiscal Year Ended June 30, 2019 & 2018
Independent Auditors' Report

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**
June 30, 2019 & 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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
September 18, 2019

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
 Statements of Financial Position
 June 30, 2019 & 2018

ASSETS

	2019	2018
Current Assets		
Cash in Banks	\$ 403,945	\$ 109,350
Accounts Receivable	11,335	29,981
Total Current Assets	415,280	139,331
Office Furniture	409	409
Office Equipment	3,410	3,410
Accumulated Depreciation & Amortization	(3,819)	(3,819)
Total Fixed Assets	-	-
Security Deposit	2,783	2,783
Total Other Assets	2,783	2,783
Total Assets	\$ 418,063	\$ 142,114

LIABILITIES & NET ASSETS

Liabilities:		
Accounts Payable	\$ 8,803	\$ 13,518
Income Tax Liability	9,176	9,176
Grant Advances	566	14,878
Total Liabilities	18,545	37,572
Net Assets		
Without donor restrictions:		
Undesignated	72,094	104,542
With donor restrictions:	327,424	-
Total Net Assets	399,518	104,542
Total Liabilities & Net Assets	\$ 418,063	\$ 142,114

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, 2019 & 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
<u>Operating activities</u>				
Support and Revenue:				
B.I.D. Reimbursement	\$ 34,506	\$ -	\$ 34,506	\$ 31,540
SBEP	16,914	-	16,914	17,101
Fundraising	18,150	-	18,150	22,628
Special Events Income	214,085	-	214,085	165,595
City of San Diego Funding for Special Events	-	-	-	11,544
Grants	-	412,216	412,216	6,485
Net Assets Released from Restrictions	84,792	(84,792)	-	-
Other Revenue	7,723	-	7,723	3,670
Total Revenues	<u>376,170</u>	<u>327,424</u>	<u>703,594</u>	<u>258,563</u>
Operating Expenses:				
Program Services	355,093	-	355,093	260,144
General & Management	53,525	-	53,525	48,596
Total Expenses	<u>408,618</u>	<u>-</u>	<u>408,618</u>	<u>308,740</u>
Increase/(Decrease) in Undesignated Net Assets	(32,448)	327,424	294,976	(50,177)
Net Assets, Beginning of Year	<u>104,542</u>	<u>-</u>	<u>104,542</u>	<u>154,719</u>
Net Assets, End of Year	<u>\$ 72,094</u>	<u>327,424</u>	<u>\$ 399,518</u>	<u>\$ 104,542</u>

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

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
Statements of Cash Flow
For the Year Ended June 30, 2018 & 2019

	2019	2018
Cash Flows from Operating Activities:		
Increase/(Decrease) in Unrestricted Net Assets	\$ 294,976	\$ (50,177)
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease/(Increase) in Accounts Receivable	18,646	1,664
Increase/(Decrease) in Accounts Payable	(4,715)	9,745
Increase/(Decrease) in Other Liabilities	(14,312)	14,878
Total Adjustments	(381)	26,287
Net Cash Provided by Operating Activities	294,595	(23,890)
Cash Flows from Investing Activities		
	-	-
Cash Flows from Financing Activities		
	-	-
Net Increase/(Decrease) in Cash	294,595	(23,890)
Cash at Beginning of Period	109,350	133,240
Cash at End of Period	\$ 403,945	\$ 109,350

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

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
Notes to Financial Statements
June 30, 2019 & 2018

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.

Basis of Presentation

The financial statements of the organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according for the following net asset classifications:

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 organization. These net assets may be used at the discretion of the Organization's 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 Organization 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 increases 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 activity.

Measure of Operations

The statement of activity 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 Organization'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.

Revenue Recognition

Old Town San Diego Chamber of Commerce is funded principally through the administration of contracts and grants with the City and County of San Diego (special assessment districts BID, SBEP, etc.). Additional funds are generated from special projects and special events.

Functional Allocation of Expenses

The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Organization 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 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 availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization 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 Organization 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 Organization'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 Organization has evaluated subsequent events through September 18, 2019, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

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, 2019 and 2018, listed as follows:

	<u>2019</u>	<u>2018</u>
City of San Diego	-	27,231
Event Sponsor	<u>11,335</u>	<u>2,750</u>
Total Claims Due	<u>\$11,335</u>	<u>\$29,981</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>2019</u>	<u>2018</u>
Art Festival	-	28,991
Saturday Market	134,798	84,218
Taste of Old Town	18,206	26,562
Other	<u>61,081</u>	<u>37,368</u>
Total Special Events Income	<u>\$214,085</u>	<u>\$177,139</u>

NOTE 4 – Special Events Expense

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

	<u>2019</u>	<u>2018</u>
Art Festival	1,288	35,601
Saturday Market	74,167	19,817
Taste of Old Town	7,030	9,569
Others	<u>40,602</u>	<u>39,603</u>
Total Special Events Expense	<u>\$123,087</u>	<u>\$104,590</u>

NOTE 5 – 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, 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 filed a third lawsuit, petition for Writ of Mandate under the California Public Records Act and Other Laws. On April 19, 2019 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. A status conference in the case will be scheduled for May 8, 2020.

NOTE 6 – 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 7 – Liquidity and Availability of Resources

The Organization'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	\$403,945
Accounts Receivable	<u>11,335</u>
Total financial assets available within one year	<u>415,280</u>
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	327,424
Amounts unavailable to management without Board of Directors approval:	-
Total financial assets available to management for General expenditure within one year	<u>\$ 87,856</u>

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

NOTE 8 – Net Assets without Donor Restrictions

The Organization has undesignated Net Assets without donor restrictions of \$72,094 at June 30, 2019.

NOTE 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions of \$327,424 are restricted for installation of public signs.

NOTE 10 – 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. \$84,792 was released from donor restrictions in the current year for installation of public signs.

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
Schedule of Functional Expenses
For the Year Ended June 30, 2019 & 2018

	Program Services	General & Management	2019 Total	2018 Total
Expenses:				
Accounting	\$ 3,685	1,815	\$ 5,500	\$ 4,900
Advertising	19,019	-	19,019	14,365
Bank Fees	654	322	976	181
Auto Expense	510	218	728	768
Designs	116,790	-	116,790	52,402
Dues & Subscriptions	704	347	1,050	1,050
Election Expenses	1,320	650	1,970	725
Insurance	1,786	880	2,666	2,778
Meetings	1,189	586	1,775	910
Miscellaneous	1,110	546	1,656	283
Parking	11,810	-	11,810	12,089
Postage	143	70	213	123
Professional fees	1,875	923	2,798	2,260
Rent	20,624	10,158	30,782	28,548
Salaries & Payroll Taxes	45,805	34,555	80,360	72,720
Supplies	1,936	953	2,889	2,973
Special Events	123,087	-	123,087	104,590
Website	784	386	1,170	357
Annual Report	-	-	-	1,527
Awards	-	-	-	384
Telephone	2,157	1,062	3,219	3,046
Repairs & Maintenance	107	53	160	1,761
Total Expenses	\$ 355,093	53,525	\$ 408,618	\$ 308,740

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