

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**

Financial Statements
For The Fiscal Year Ended June 30, 2021 & 2020
Independent Auditors' Report

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**
June 30, 2021 & 2020

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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 Chamber), 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 Old Town San Diego Chamber of Commerce 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.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Chamber will continue as a going concern. As discussed in Note 13, the Chamber has a decrease in Net Assets at June 30, 2021. This factor raises substantial doubt about the Chamber's ability to continue as a going concern. Management has a plan of action that is described in Note 13. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 11 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, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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
September 22, 2022

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
 Statements of Financial Position
 June 30, 2021 & 2020

ASSETS

	2021	2020
Current Assets		
Cash in Banks	\$ 334,707	\$ 366,022
Accounts Receivable	553	2,558
Total Current Assets	335,260	368,580
Office Furniture	409	409
Office Equipment	3,410	3,410
Accumulated Depreciation & Amortization	(3,819)	(3,819)
Total Fixed Assets	-	-
Security Deposit	282	2,783
Total Other Assets	282	2,783
 Total Assets	 \$ 335,542	 \$ 371,363

LIABILITIES & NET ASSETS

Liabilities:		
Accounts Payable	\$ 2,620	\$ 5,962
Income Tax Liability	9,176	9,176
Grant Advances	-	566
PPP Covid Loan (Note 3)	13,682	-
Total Liabilities	25,478	15,704
 Net Assets		
With donor restrictions:		
Designated	315,061	317,795
Without donor restrictions:	(4,997)	37,865
Total Net Assets	310,064	355,660
 Total Liabilities & Net Assets	 \$ 335,542	 \$ 371,363

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, 2021 & 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
<u>Operating activities</u>				
Support and Revenue:				
B.I.D. Reimbursement	\$ 38,283	\$ -	\$ 38,283	\$ 33,973
SBEP	16,824	-	16,824	83,594
Fundraising	4,851	-	4,851	21,441
Special Events Income	17,101	-	17,101	162,686
City of San Diego Funding for Special Events	-	-	-	350
Grants	-	17,500	17,500	6,000
Net Assets Released from Restrictions	20,234	(20,234)	-	-
Other Revenue	6,528	-	6,528	2,000
Total Revenues	<u>103,821</u>	<u>(2,734)</u>	<u>101,087</u>	<u>310,044</u>
Operating Expenses:				
Program Services	106,551	-	106,551	295,648
General & Management	40,133	-	40,133	58,254
Total Expenses	<u>146,684</u>	<u>-</u>	<u>146,684</u>	<u>353,901</u>
 Increase/(Decrease) in Undesignated Net Assets:	 (42,862)	 (2,734)	 (45,596)	 (43,858)
Prior Period Adjustment				
Net Assets, Beginning of Year	<u>37,865</u>	<u>317,795</u>	<u>355,660</u>	<u>399,518</u>
Net Assets, End of Year	<u>\$ (4,997)</u>	<u>\$ 315,061</u>	<u>\$ 310,064</u>	<u>\$ 355,660</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, 2021 & 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase/(Decrease) in Unrestricted Net Assets	\$ (45,596)	\$ (43,858)
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease/(Increase) in Accounts Receivable	2,005	8,777
Increase/(Decrease) in Accounts Payable	(3,342)	(2,842)
Decrease/(Increase) in Security Deposits	2,502	-
Increase/(Decrease) in Grant Advances	(566)	-
Total Adjustments	<u>599</u>	<u>5,935</u>
Net Cash Provided by Operating Activities	<u>(44,997)</u>	<u>(37,923)</u>
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities		
Proceeds Borrowed (PPP Loan)	<u>13,682</u>	<u>-</u>
Net Increase/(Decrease) in Cash	(31,315)	(37,923)
Cash at Beginning of Period	<u>366,022</u>	<u>403,945</u>
Cash at End of Period	<u>\$ 334,707</u>	<u>\$ 366,022</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, 2021 & 2020

NOTE 1- Summary of Significant Accounting Policies

Nature of Business

Old Town San Diego Chamber of Commerce (the "Chamber") 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 Chamber's equipment and furniture is fully depreciated.

Income tax status

The Chamber 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 Chamber 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 Chamber generally is no longer subject to income tax examinations by federal authorities for the years ending June 30, 2016 and before and by state authorities for years ending June 30, 2015 and before.

Basis of Accounting

The financial statements of the Chamber 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 Chamber have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Chamber 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 Chamber. These net assets may be used at the discretion of the Chamber'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 Chamber or by the passage of time. Other donor restrictions

are perpetual in nature, whereby 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 Chamber'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 Chamber 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 Chambers 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 Chamber 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 Chamber 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 Chamber'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 Chamber has evaluated subsequent events through September 22, 2022, 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, 2020 and 2019, listed as follows:

	<u>2021</u>	<u>2020</u>
City of San Diego	<u>553</u>	<u>2,558</u>
Total Claims Due	<u><u>553</u></u>	<u><u>\$ 2,558</u></u>

NOTE 3 – COVID-19 Loan

The Chamber received a loan of \$13,682 on April 12, 2021 from the Paycheck Protection Program (“PPP”). The Chamber has used all of the fund for payroll, rent, and utilities expenses as of June 30, 2021 as required by the PPP. The Association applied for loan forgiveness consideration and the application was approved in full on January 17, 2022.

NOTE 4 – Special Events Income

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

	<u>2021</u>	<u>2020</u>
Beer Festival	-	5,000
Dia De los Muertos	1,000	41,416
Fiesta Cinco de Mayo	8,981	-
Founders Day Festival	220	40,828
Harney Street Market	475	66,123
Taste of Old Town	-	7,540
Other	<u>6,425</u>	<u>1,779</u>
Total Special Events Income	<u><u>\$ 17,101</u></u>	<u><u>\$162,686</u></u>

NOTE 5 – Special Events Expense

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

	<u>2021</u>	<u>2020</u>
Beer Festival	(1,550)	7,494
Dia de los Muertos	8,662	58,382
Fiesta Cinco de Mayo	3,885	-
Founders Day Festival	(42)	43,571
Harney Street Market	5,285	48,304
Taste of Old Town	-	6,387
Others	<u>4,631</u>	<u>1,250</u>
Total Special Events Expense	<u><u>\$ 20,871</u></u>	<u><u>\$165,388</u></u>

NOTE 6 – Pending Lawsuit

Old Town Chamber of Commerce is one of the nonprofit Chambers 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. 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 \$2,529. 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 Parties have recently come to a favorable settlement, with the Chamber paying \$2,529. The Settlement Agreement is now being circulated for final approval and signature. The settlement amount of \$2,529 has not been accrued at June 30, 2021.

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 Chamber is currently working with the IRS to have this liability abated.

NOTE 8 – Liquidity and Availability of Resources

The Chamber’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	\$334,707
Accounts Receivable	<u>553</u>

Total financial assets available within one year	335,260
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	315,061
Amounts unavailable to management without Board of Directors approval:	-
Total financial assets available to management for General expenditure within one year	<u>\$ 20,119</u>

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

NOTE 9 – Net Assets without Donor Restrictions

The Chamber has undesignated Net Assets without donor restrictions of \$(4,997) at June 30, 2021.

NOTE 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions of \$315,061 are restricted for installation of public signs.

NOTE 11 – 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. \$20,234 was released from donor restrictions in the current year for installation of public signs and other events specified by donors.

NOTE 12 – COVID-19 Outbreak

In early 2020, the Chamber 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 Chamber had to cancel and postponed most Special Events resulting in loss of roughly 90% of revenues. The Chamber closed the visitor center and reduce its staff from two to one employee.

NOTE 13 – Going Concern

Uncertainty about the Chamber’s ability to continue as a going concern relates to its ability to continue to meet its obligations as they become due within one year after the date of the financial statements are issued. The Chamber has a decrease in Net Assets of \$45,596 for FY’ 21 and \$43,858 for FY ’20. Therefore, the Chamber is considered at risk of not meeting its obligations within the foreseeable future.

Management has indicated that the decrease in Net Assets is mainly due to cancellation of most special events due to the COVID-19 outbreak (See Note 12). In FY '22, special events income increased by roughly \$60,000 due to reopening of businesses and events. The Chamber also received about \$30,000 in COVID-19 grants and PPP loan forgiveness. In addition, management plans to increase advertising revenue with the reopening of the visitor center and add more special events to increase revenue.

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
Schedule of Functional Expenses
For the Year Ended June 30, 2021 & 2020

	<u>Program Services</u>	<u>General & Management</u>	<u>2021</u>	<u>2020</u>
Expenses:				
Accounting	\$ 6,432	3,168	\$ 9,600	\$ 3,050
Advertising	5,863	-	5,863	12,716
Bank Fees	476	234	710	557
Auto Expense	29	13	42	-
Computer Hardware/Software	151	65	216	733
Designs	4,853	-	4,853	9,629
Dues & Subscriptions	716	353	1,068	2,098
Election Expenses	1,495	736	2,232	2,064
Insurance	3,488	1,718	5,206	5,550
Meetings	91	45	136	384
Parking	8,081	-	8,081	16,533
Postage	4	2	7	126
Professional fees	2,381	1,173	3,554	4,052
Rent	15,878	7,821	23,699	29,905
Salaries & Payroll Taxes	27,507	20,751	48,257	88,960
Supplies	748	369	1,117	1,277
Special Events	20,871	-	20,871	165,388
Website	162	80	242	3,123
Telephone/ Utilities	4,055	1,997	6,053	3,984
Repairs & Maintenance	3,167	1,560	4,728	3,773
Special Projects	100	49	149	-
Total Expenses	\$ 106,551	40,133	\$ 146,684	\$ 353,901

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