

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**

Financial Statements
For The Fiscal Year Ended June 30, 2022 & 2021
Independent Auditors' Report

**OLD TOWN SAN DIEGO
CHAMBER OF COMMERCE**
June 30, 2022 & 2021

Table of Contents

<u>Page</u>	<u>Description</u>
1-3	Accountants' Report
4	Statements of Financial Position
5	Statements of Activities
6	Schedule of Functional Expenses
7	Statements of Cash Flow
8 -13	Notes to Financial Statements



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Old Town San Diego Chamber of Commerce (a Non-Profit Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Old Town San Diego Chamber of Commerce and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Old Town San Diego Chamber of Commerce's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a

whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Old Town San Diego Chamber of Commerce's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Old Town San Diego Chamber of Commerce's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Old Town San Diego Chamber of Commerce financial statements as of June 30, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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
Victor M. Diaz, CPA
California License #86352
San Diego, California
January 30, 2023

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
 Statements of Financial Position
 June 30, 2022 & 2021

ASSETS

	2022	2021
Current Assets		
Cash in Banks	\$ 380,686	\$ 334,707
Accounts Receivable	41,502	553
Total Current Assets	422,188	335,260
Office Furniture	409	409
Office Equipment	3,410	3,410
Accumulated Depreciation & Amortization	(3,819)	(3,819)
Total Fixed Assets	-	-
Security Deposit	282	282
Total Other Assets	282	282
Total Assets	\$ 422,470	\$ 335,542

LIABILITIES & NET ASSETS

Liabilities:		
Accounts Payable	\$ 25,533	\$ 2,620
Income Tax Liability (Note 6)	-	9,176
PPP Covid Loan (Note 3)	-	13,682
Total Liabilities	25,533	25,478
Net Assets		
With donor restrictions:		
Designated	315,061	315,061
Without donor restrictions	81,876	(4,997)
Total Net Assets	396,937	310,064
Total Liabilities & Net Assets	\$ 422,470	\$ 335,542

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

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE

Statements of Activities

For the Year Ended June 30, 2022 & 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Operating activities				
Support and Revenue:				
B.I.D. Reimbursement	\$ 32,412	\$ -	\$ 32,412	\$ 38,283
SBEP	10,000	21,779	31,779	16,824
Fundraising	2,505	-	2,505	4,851
Special Events Income	117,470	-	117,470	17,101
Payroll Protection Loan Loan Forgiven	13,682	-	13,682	-
Grants	-	26,178	26,178	17,500
Net Assets Released from Restrictions	47,957	(47,957)	-	-
Other Revenue	-	-	-	6,528
Total Revenues	<u>224,026</u>	<u>-</u>	<u>224,026</u>	<u>101,087</u>
Operating Expenses:				
Program Services	120,928	-	120,928	106,551
General & Management	25,401	-	25,401	40,133
Total Expenses	<u>146,329</u>	<u>-</u>	<u>146,329</u>	<u>146,684</u>
Increase/(Decrease) in Undesignated Net Assets	77,697	-	77,697	(45,596)
Prior Period Adjustment (Note 6)	9,176		9,176	
Net Assets, Beginning of Year	<u>(4,997)</u>	<u>315,061</u>	<u>310,064</u>	<u>355,660</u>
Net Assets, End of Year	<u>\$ 81,876</u>	<u>\$ 315,061</u>	<u>\$ 396,937</u>	<u>\$ 310,064</u>

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

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE
Schedule of Functional Expenses
For the Year Ended June 30, 2022 & 2021

	<u>Program Services</u>	<u>General & Management</u>	<u>2022</u>	<u>2021</u>
Expenses:				
Accounting	\$ 10,419	5,132	\$ 15,550	\$ 9,600
Advertising	421	-	421	5,863
Bank Fees	157	78	235	710
Auto Expense	-	-	-	42
Computer Hardware/Software	291	125	416	216
Contributions	1,250	-	1,250	-
Designs	-	-	-	4,853
Dues & Subscriptions	429	211	640	1,068
Election Expenses	1,330	655	1,985	2,232
Insurance	5,907	2,909	8,816	5,206
Meetings	121	60	181	136
Miscellaneous	902	444	1,346	-
Parking	-	-	-	8,081
Postage	9	4	13	7
Professional fees	1,988	979	2,967	3,554
Rent	3,186	1,569	4,755	23,699
Salaries & Payroll Taxes	14,922	11,257	26,179	48,257
Supplies	293	144	437	1,117
Special Events	75,580	-	75,580	20,871
Website	-	-	-	242
Telephone/ Utilities	3,006	1,481	4,487	6,053
Repairs & Maintenance	550	271	821	4,728
Special Projects	168	83	250	149
Total Expenses	\$ 120,928	25,401	\$ 146,329	\$ 146,684

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, 2022 & 2021

	2022	2021
Cash Flows from Operating Activities:		
Increase/(Decrease) in Unrestricted Net Assets	\$ 77,697	\$ (45,596)
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Gain on forgiveness of Payroll Protection Program	(13,682)	-
Decrease/(Increase) in Accounts Receivable	(40,949)	2,005
Increase/(Decrease) in Accounts Payable	22,913	(3,342)
Decrease/(Increase) in Security Deposits	-	2,502
Increase/(Decrease) in Grant Advances	-	(566)
Total Adjustments	(31,718)	599
Net Cash Provided by Operating Activities	45,979	(44,997)
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities		
Proceeds Borrowed (PPP Loan)	-	13,682
Net Increase/(Decrease) in Cash	45,979	(31,315)
Cash at Beginning of Period	334,707	366,022
Cash at End of Period	\$ 380,686	\$ 334,707

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

OLD TOWN SAN DIEGO CHAMBER OF COMMERCE

Notes to Financial Statements

June 30, 2022 & 2021

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 the corresponding provision of section 23701(e) of the California Revenue and Taxation Code. The Chamber is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Chamber's tax-exempt purpose.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codifications No. 740-10, Accounting for Uncertainties in Income Tax, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Chamber has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosures.

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 January 30, 2023, 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.

Forgivable loans- Paycheck Protection Program (PPP)

The Chamber's policy is to account for forgivable loans received through the Small Business Administration (SBA) under Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program (PPP), as debt in accordance with Accounting Standards Codification (ASC) 470, Debt, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Company is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven and unamortized debt issuance costs, is recorded as a gain on extinguishment of debt, and presented in the other income section of the statement of income (See Note 3).

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, 2022 and 2021, listed as follows:

	<u>2022</u>	<u>2021</u>
Special Events	26,039	-
City of San Diego	<u>15,463</u>	<u>553</u>
Total	<u>\$ 41,502</u>	<u>\$ 553</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 Chamber applied for loan forgiveness consideration and the application was approved in full on January 17, 2022. The amount of \$13,682 was recognized as income in the fiscal year ending June 30, 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>2022</u>	<u>2021</u>
Dia De los Muertos	\$ 3,763	\$ 1,000
Fiesta Cinco de Mayo	6,444	8,981
Founders Day Festival	-	220
Harney Street Market	106,637	475
Other	<u>626</u>	<u>6,425</u>
Total	<u>\$117,470</u>	<u>\$ 17,101</u>

NOTE 5 – Special Events Expense

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

	<u>2022</u>	<u>2021</u>
Beer Festival	\$ -	\$ (1,550)
Dia de los Muertos	13,145	8,662
Fiesta Cinco de Mayo	21,614	3,885
Founders Day Festival	-	(42)
Harney Street Market	38,208	5,285
Las Posadas	2,086	-
Others	527	4,631
Total	<u>\$ 75,580</u>	<u>\$ 20,871</u>

NOTE 6 – Prior Period Adjustment

The Chamber has a prior period adjustment in the amount of \$9,176 which represents the forgiveness of Federal tax penalties and interests for tax years 2003, 2005, and 2008. Per the Chamber's Executive Director discussion with IRS to confirm that the issue was resolved and the penalties and interests were abated.

NOTE 7 – 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	\$380,686
Accounts Receivable	<u>41,502</u>
Total financial assets available within one year	422,188
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>\$107,127</u>

The Chamber 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 Chamber has undesignated Net Assets without donor restrictions of \$81,876 at June 30, 2022.

NOTE 9 – Net Assets with Donor Restrictions

On January 14, 2019, the County of San Diego gave the Chamber a grant of \$412,216 for the purpose of installing public signs in the Old Town area. As of June 30, 2022, the balance of this grant is \$315,061 and recorded as Net assets with donor restrictions.

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. During the fiscal year ended June 30, 2022, the net assets were released for the following purposes.

SBEP Management	\$16,779
SBEP Tech. Assistant	5,000
Creative Community	11,178
California Relief Program	<u>15,000</u>
Total	<u>\$47,957</u>

NOTE 11 – 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 on April 28, 2022 and the case was settled, the matter has been dismissed with prejudice.