

GASLAMP QUARTER ASSOCIATION

Financial Statements

For the Year Ended June 30, 2015

And

Independent Auditors' Report

GASLAMP QUARTER ASSOCIATION
Financial Statements
June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gaslamp Quarter Association

We have audited the accompanying financial statements of Gaslamp Quarter Association (a Non-Profit Organization), which comprise of the statement of financial position as of June 30, 2015, and the related statement of activities and statement of cash flows for the year 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 Gaslamp Quarter Association as of June 30, 2015, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Guerrero, Jimenez, Diaz & Co. LLP

Guerrero, Jimenez, Diaz & Co LLP
Certified Public Accountants

San Diego, California
December 3, 2015

GASLAMP QUARTER ASSOCIATION

Statement of Financial Position

June 30, 2015

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 328,269
Accounts Receivable (net of allowance for doubtful account of \$6,700)	98,601
Federal Income Tax Refund Receivable	2,743
Income Tax Estimated Payments	<u>12,600</u>
Total Current Assets	<u>442,213</u>

Fixed Assets

Office Furniture	21,398
Accumulated Depreciation	<u>(21,398)</u>
Net Fixed Assets	<u>-</u>

Total Assets	\$ <u>442,213</u>
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LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ 438
Income Tax Payable	<u>21,500</u>
Total Liabilities	<u>21,938</u>

Net Assets

Unrestricted	<u>420,275</u>
Total Unrestricted Net Assets	<u>420,275</u>

Total Liabilities and Net Assets	\$ <u>442,213</u>
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The accompanying notes are an integral part of these financial statements.

GASLAMP QUARTER ASSOCIATION

Statement of Activities

For the Year Ended June 30, 2015

CHANGES IN UNRESTRICTED NET ASSETS:**Revenue:**

Governmental Funding:

B.I.D.	\$	73,065
S.B.E.P. Management Grant		19,721
County Grant		3,000
Parking District Grant		76,626
Total Government Funding		<u>172,412</u>

Special Events:

Ticket Revenue		20,160
Product Sales/Auction		8,028
Vendor/Sponsor		116,852
Miscellaneous		1,868
Total Special Events		<u>146,908</u>

Other Revenue:

Holiday Lighting / Banner (net)		26,250
Kiosk Advertising		49,295
Web Advertising		60,501
Public Pay Phone		2,121
Associated Membership		28,357
Other Income		6,112
Total Other Revenue		<u>172,636</u>

Total Revenue

491,956**Expenses:**

Special Events & Programs:

Special Events		129,637
Total Special Event Expenses		<u>129,637</u>

General & Administrative:

Salaries & Wages		192,256
Employee Benefits		17,644
Payroll Taxes & Fees		17,567
Rent & Utilities		22,382
Dues/Memberships		1,195
Commissions		18,591
Accounting		12,750
Insurance - includes Workers Compensation		8,793
Postage		250
Equipment Rent/Repairs/Minor Equipment		6,636
Telephone		2,367
Meetings & Workshops		1,323
Office Supplies/Expense		2,510
Marketing		121,917
Bank Fees		8,675
Miscellaneous		695
Bad Debt		8,395
Income Tax		15,681
Total General & Administrative Expenses		<u>459,627</u>

Total Expenses

589,264**Decrease in Net Assets**

(97,308)

Net Assets, Beginning of Year517,583**Net Assets, End of Year**\$ 420,275

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

GASLAMP QUARTER ASSOCIATION

Statement of Cash Flows
For the Year Ended June 30, 2015

Cash Flows From Operating Activities:

Increase in Net Assets \$ (97,308)

Adjustments to Reconcile the Change in Net Assets
to Net Cash Provided by Operating Activities:

Depreciation Expense	-
Increase in Accounts Receivable	(67,506)
Increase in Income Tax Refund Receivable	(2,743)
Increase in Accounts Payable	438
Increase in Income Tax Estimated Payments	(2,600)
Increase in Income Tax Payable	2,500
Decrease in Refundable Deposits Received	(4,000)
Total Adjustments	<u>(73,911)</u>

Net Cash Used by Operating Activities (171,219)

Cash Flows From Investing Activities -

Cash Flows From Financing Activities -

Net Decrease in Cash (171,219)

Cash at Beginning of Period 499,488

Cash at End of Period \$ 328,269

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

GASLAMP QUARTER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 1 - Summary of Significant Accounting Policies

Nature of Business

Gaslamp Quarter Association "the Association" is a nonprofit consortium of local businesses organized pursuant to City Ordinance 15647 which established and defined a parking and business improvement area known as the Gaslamp Quarter Association under the provisions of the Parking and Business Improvement Area Law of the State of California and enabling ordinances of the City of San Diego for the purpose of promoting and fostering business conditions in the City of San Diego area commonly known as the Gaslamp Quarter located in San Diego's 16 1/2 block National Historic District.

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 represent the portion of expendable funds that are available for support of the operations of the Organization.
- * Temporarily restricted net assets consist 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 consist of contributions subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Cash and Cash Equivalents

Time deposits with maturity date of three or less months are considered to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, which are generally from 3 to 5 years. All property and equipment purchased by the Association with funds received from the City of San Diego are considered property of the City. If the agreement with the City of San Diego is terminated for any reason, the Association is required to deliver such assets to the City of San Diego.

Income Taxes

The Association was organized as a non-profit organization under section 501(c)(6) of the Internal Revenue Code and similar California law, and is not subject to income taxes on related business income, however, it is subject to income taxes and unrelated business income.

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. Management of the Association has evaluated its tax position and related income tax contingencies. Management does not believe that any material uncertain tax

position exist. The Association generally is no longer subject to income tax examinations by federal authorities for the years ending June 30, 2011 and before and by state authorities for years ending June 30, 2010 and before.

NOTE 2 – Cash & Cash Equivalents

Cash in Bank consists of the following:

Checking	\$126,523
Money Market	86,129
Certificate of Deposit	<u>115,617</u>
Total Cash & Cash Equivalents in Bank	<u>\$328,269</u>

NOTE 3 - Revenues

The Association is funded in part by the City of San Diego. The City of San Diego receives the funds as a special assessment collected together with business licensing fees from businesses located within the District. In addition, the Association holds special fund raising events to promote the business environment in the area, and also generates income from advertising and public pay phones.

NOTE 4 - Accounts Receivable

The total balance in accounts receivable is comprised of:

Customers and members	\$28,675
Parking District Grant	76,626
Allowance for doubtful account	<u>(6,700)</u>
Total	<u>\$ 98,601</u>

NOTE 5 – Simple IRA Retirement Plan

The Association's Simple IRA Retirement Plan (the Plan) is open to all full-time employees who have completed a one year employment period. The employee can choose any government recognized Simple IRA program and the Association will, after the appropriate documentation, match up to 3% of the employee's annual pay in contribution to the Plan. The Association's match for the year ended June 30, 2015 was \$2,936.

NOTE 6 – Lease Agreement

The facility at 614 Fifth Avenue, Suite F, San Diego, California 92101 is under a three year lease that was renewed on November 1, 2012 and it expires on October 31, 2015. On October 1, 2015 the Association exercised the option to extend the term for a period of three years.

The monthly base rents during the extension term are as follows:

November 1, 2013 - October 31, 2014	\$1,750
November 1, 2014 - October 31, 2015	\$1,825

November 1, 2015 – October 31, 2016	\$2,250
November 1, 2015 – October 31, 2017	\$2,300
November 1, 2017 – October 31, 2018	\$2,350

NOTE 7 – Income Tax

For the year ended June 30, 2015, the Association was subject to income tax on unrelated business income, as follows:

Current Year Provision:

Federal Income Tax	\$13,500
State Income Tax	<u>8,000</u>
	<u>\$21,500</u>

Adjustments to Prior Year Provision:

Federal Income Tax	\$ (4,655)
State Income Tax	<u>(1,164)</u>
	<u>\$ (5,819)</u>

Tax Expense	<u>\$ 15,681</u>
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The adjustment to prior year provision represents the difference between the income tax provision and the actual amount per tax return, for the year ended June 30, 2014.

NOTE 8 – Pending Lawsuit

East Village Association, Inc. is one of the nonprofit organization named as defendants in a lawsuit filed by San Diegans for Open Government (Plaintiff/Petitioner) on June 15, 2015. This lawsuit challenges 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. The Association negotiated with the plaintiff to be removed from the lawsuit for the term of one year through a tolling agreement.

NOTE 9 – Subsequent Events

Subsequent events have been evaluated through December 5, 2015, which is the date the financial statements were available to be issued.