

**GASLAMP QUARTER ASSOCIATION**

Financial Statements

For the Year Ended June 30, 2016

And

Independent Auditors' Report

**GASLAMP QUARTER ASSOCIATION**

Financial Statements

June 30, 2016

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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, 2016, 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, 2016, 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.

A handwritten signature in cursive script that reads "Guerrero, Jimenez, Diaz & Co, LLP".

Guerrero, Jimenez, Diaz & Co LLP  
Certified Public Accountants

San Diego, California  
December 23, 2016

**GASLAMP QUARTER ASSOCIATION**

Statement of Financial Position

June 30, 2016

**ASSETS**

**Current Assets:**

Cash & Cash Equivalents	\$ 362,461
Accounts Receivable	87,859
Income Tax Estimated Payments	<u>6,168</u>
Total Current Assets	<u>456,488</u>

**Fixed Assets**

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

<b>Total Assets</b>	<b>\$ <u>456,488</u></b>
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**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts Payable	\$ 9,436
Employer Match Retirement Plan Payable	2,250
Income Tax Payable	<u>16,000</u>
Total Liabilities	<u>27,686</u>

**Net Assets**

Unrestricted	<u>428,802</u>
Total Unrestricted Net Assets	<u>428,802</u>

<b>Total Liabilities and Net Assets</b>	<b>\$ <u>456,488</u></b>
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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, 2016

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

## Governmental Funding:

B.I.D.	\$	79,834
S.B.E.P. Management Grant		16,595
County Grant		3,000
Parking District Grant		141,697
S.B.E.P. City Fees Offset Program		19,318
Total Government Funding		<u>260,444</u>

## Special Events:

Ticket Revenue		56,717
Product Sales/Auction		18,420
Vendor/Sponsor		107,003
Total Special Events		<u>182,140</u>

## Other Revenue:

Holiday Lighting / Banner (net)		45,525
Kiosk Advertising		42,725
Web Advertising		84,398
Public Pay Phone		2,032
Associated Membership		22,975
Print Advertising		8,794
Partnership/Shamrock		14,490
Other Income		10,042
Total Other Revenue		<u>230,981</u>

Total Revenue		<u>673,565</u>
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**Expenses:**

## Special Events &amp; Programs:

Special Events		185,443
Total Special Event Expenses		<u>185,443</u>

## General &amp; Administrative:

Salaries & Wages		201,306
Employee Benefits		7,306
Payroll Taxes & Fees		18,032
Rent & Utilities		26,810
Dues/Memberships		1,833
Commissions		11,611
Accounting		14,750
Insurance - includes Workers Compensation		8,221
Postage		1,305
Equipment Rent/Repairs/Minor Equipment		6,406
Telephone		2,926
Meetings & Workshops		2,582
Office Supplies/Expense		790
Marketing		166,798
Bank Fees		2,662
Income Tax		6,257
Total General & Administrative Expenses		<u>479,595</u>

Total Expenses		<u>665,038</u>
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Increase in Net Assets		8,527
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Net Assets, Beginning of Year		<u>420,275</u>
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Net Assets, End of Year	\$	<u><u>428,802</u></u>
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The accompanying notes are an integral part of these financial statements.

**GASLAMP QUARTER ASSOCIATION**

Statement of Cash Flows

For the Year Ended June 30, 2016

**Cash Flows From Operating Activities:**

Increase in Net Assets \$ 8,527

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

(Increase)/Decrease in Accounts Receivable 10,742

Increase in Income Tax Refund Receivable 2,743

Increase/(Decrease) in Accounts Payable 8,998

(Increase)/Decrease in Income Tax Estimated Payments 6,432

(Increase)/Decrease in Employer Retirement Plan Payable 2,250

Increase/(Decrease) in Income Tax Payable (5,500)

Total Adjustments 25,665

**Net Cash Provided by Operating Activities** 34,192

**Cash Flows From Investing Activities** -

**Cash Flows From Financing Activities** -

**Net Decrease in Cash** 34,192

**Cash at Beginning of Period** 328,269

**Cash at End of Period** \$ 362,461

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

## **GASLAMP QUARTER ASSOCIATION**

### **Notes to Financial Statements**

June 30, 2016

#### **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, 2012 and before and by state authorities for years ending June 30, 2011 and before.

#### **NOTE 2 – Cash & Cash Equivalents**

Cash in Bank consists of the following:

Checking	\$160,603
Money Market	86,211
Certificate of Deposit	<u>115,647</u>
Total Cash & Cash Equivalents in Bank	<u>\$362,461</u>

#### **NOTE 3 - Revenues**

The Association is funded in part by the City of San Diego through a Business Improvement District ("BID") and a Parking and Small Business Enhancement Program ("SBEP") grants. For the BID, 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	\$39,775
SBEP Receivable	3,150
Parking District Grant	<u>44,934</u>
Total	<u>\$ 87,859</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, 2016 was \$2,250 payable as of June 30, 2016.

#### **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 through October 31, 2018.

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

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

#### **NOTE 7 – Income Tax**

For the year ended June 30, 2016, the Association was subject to income tax on unrelated business income, as follows:

Current Year Provision:

Federal Income Tax	\$10,000
State Income Tax	<u>6,000</u>
	<u>\$16,000</u>

Adjustments to Prior Year Provision:

Federal Income Tax	\$ (6,346)
State Income Tax	<u>(3,397)</u>
	<u>\$ (9,743)</u>

Tax Expense	<u>\$ 6,257</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, 2015.

#### **NOTE 8 – Pending Lawsuit**

Gaslamp Quarter 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 is currently negotiating with the plaintiff. The Association has good reason to believe the plaintiff will drop the lawsuit. The Association is working with its lawyer to defend this lawsuit.

#### **NOTE 9 – Subsequent Events**

Subsequent events have been evaluated through December 23, 2016, which is the date the financial statements were available to be issued.



**Guerrero, Jimenez, Diaz  
& Co. LLP**

A Certified Public Accounting Firm

December 23, 2016

To the Board of Directors  
Gaslamp Quarter Association  
614 5<sup>th</sup> Avenue, Ste. E  
San Diego, CA 92101

Dear Sirs:

In connection with our audit of your financial statements for the fiscal year ended June 30, 2016, we submit the following comments and recommendations for your consideration:

**Journal Entries**

We made adjusting journal entries to correct these accounts balances in your books. We are submitting a copy of our journal entries for you to enter in your Quickbooks.

**General Ledger – Account**

In the conduct of our audit we noted that the accounts that comprise the general ledger were still out of balance by \$152.24. We reviewed the chart of accounts and related balances and found no cause for the total assets not being equal to total liabilities and net assets; and the difference appears to be a Quickbooks accounting system problem. We recommend to ask customer service at Quickbooks or to keep monitoring that the difference remains consistent, or to run the rebuild task included in Quickbooks under the File/Utilities menus.

**Net Assets – Use of Account**

The term "retained earnings" account is being used in your internal financial statements. We again recommend that the account name be changed to "net assets" which is the more appropriate term for this account in a nonprofit organization.

**Cash Balance**

The Association has significant amount of cash at year-end. We have discussed this issue with management and it is our understanding that the investment of the cash is in line with the Association's requirements.

**Risk of Fraud**

Recent developments involving fraud within well-known companies have created a new and more expanded audit environment emphasizing the detection of fraud.

In this connection we wish to alert you of management's responsibilities in this area and submit the following comments and recommendations for your consideration.

**Awareness**

Management should have an awareness and understanding of fraud and its related risks.

**Controls (Existence or Absence of)**

Management should identify the control procedures in existence.

2445 Fifth Avenue, Suite 420, San Diego, CA 92101

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### **Control Procedures**

Small organizations generally exhibit an absence of control due to the lack of personnel. The following is a list of control procedures, which are practical and relatively easy to implement (Note – These are general in nature and are not all-inclusive and you may already have such procedures in place).

1. Check-signing – requires 2 signatures,
2. Timely bank reconciliation – Reviewed by responsible officer
3. Board of Directors – Involvement  
The Board should take an active part in the operations
4. Use of pre-numbered receipts (tickets) at special events and accountability for all receipts
5. Timely intact deposit of all receipts
6. Approval of expenditures by responsible person
7. all expenses paid by check (within practical limits)

During our work we noted the majority of the above general proposed control procedures are in place. This does not mean that other procedures are not in place, it only means that we did not come across during our work performed.

We have discussed the contents of this letter with Mr. Michael Trimble, and we are available to assist you in the implementation of the foregoing and to answer any questions regarding the contents of this letter. We wish to thank Mr. Trimble for his assistance and cooperation in the conduct of our audit.

Sincerely,

A handwritten signature in cursive script that reads "Guerrero, Jimenez, Diaz & Co., LLP".

Guerrero, Jimenez, Diaz & Co., LLP.

12:57 PM

12/22/16

Accrual Basis

Gaslamp Quarter Association  
**Adjusting Journal Entries**  
 June 30 through July 1, 2016

Date	Num	Name	Memo	Account	Debit	Credit
06/30/2016	CPA1	TicketSocket, Inc. iHeart Media iHeart Media	To record accrued expenses. To record accrued expenses. To record accrued expenses.	45540 · Government ... 42210 · Advertising 2000 · Accounts Paya...	1,002.00 2,500.00	3,502.00
07/01/2016	CPA2	iHeart Media TicketSocket, Inc. iHeart Media	To reverse PY accrued expenses. To reverse PY accrued expenses. To reverse PY accrued expenses.	2000 · Accounts Paya... 45540 · Government - ... 42210 · Advertising	3,502.00 3,502.00	1,002.00 2,500.00
06/30/2016	CPA3	Internal Revenue Service Franchise Tax Board Internal Revenue Service Franchise Tax Board	Tax provision for FY 2016 Tax provision for FY 2016 Tax provision for FY 2016 Tax provision for FY 2016	Federal Income Tax E... California Income Tax ... Federal Income Tax P ... California Income Tax ...	5,500.00 3,000.00	5,500.00 3,000.00
06/30/2016	CPA5		To adjust est. tax payment account. To adjust est. tax payment account. To adjust est. tax payment account. To adjust est. tax payment account.	Federal Income Tax P ... Federal Income Tax E... California Income Tax ... California Income Tax ...	271.00 271.00 1,428.00	271.00 1,428.00
06/30/2016	CPA7		To reclass income tax expenses. To reclass income tax expenses. To reclass income tax expenses.	Federal Income Tax E... California Income Tax ... 41096 · Taxes	1,699.00 3,700.00 1,600.00	1,699.00 5,300.00
06/30/2016	CPA8		To adjust tax advance payments. To adjust tax advance payments. To adjust tax advance payments. To adjust tax advance payments.	Federal Income Tax P ... California Income Tax ... Federal Income Tax E... California Income Tax ...	5,300.00	5,300.00
06/30/2016	CPA14	United States Treasury. United States Treasury.	To offset amount recorded related to r... To offset amount recorded related to r...	1200 · Accounts Receiv... Federal Tax Refund R...	2,743.26 2,743.26	2,743.26
06/30/2016	CPA15	Erne Bi Communications	To accrue services provided at 6/30/16 To accrue services provided at 6/30/16	41100 · Commissions ... 2000 · Accounts Paya...	435.00	435.00
					435.00	435.00

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06/30/2016	CPA17	KPBS TV/FM	To record accrual for services provide... To record accrual for services provide...	42210 · Advertising 2000 · Accounts Paya...	4,000.00 1,500.00	4,000.00 1,500.00
06/30/2016	CPA18		To reclass credit memos to correct ac... To reclass credit memos to correct ac...	30001 · BID Assessm... 30010 · Associate Me...	1,500.00 1,375.00	1,500.00 1,375.00
06/30/2016	CPA19		To record tax provision for unrelated b... To record tax provision for unrelated b... To record tax provision for unrelated b... To record tax provision for unrelated b...	California Income Tax ... California Income Tax ... Federal Income Tax P ... Federal Income Tax E...	1,375.00 5,000.00 9,000.26 14,000.26	1,375.00 5,000.00 9,000.26 14,000.26
06/30/2016	CPA20	Coyote Ugly Coyote Ugly	To writeoff A/R from Coyote Ugly, pay... To writeoff A/R from Coyote Ugly, pay...	30050 · Banner Program 1200 · Accounts Recei...	1,100.00 1,100.00	1,100.00 1,100.00
06/30/2016	CPA21		To accrue employer contribution to IRA. To accrue employer contribution to IRA.	40016 · Simple IRA (E... 24000 · Payroll Liabli...	2,250.00 2,250.00	2,250.00 2,250.00
07/01/2016	CPA22		To reverse PY accrual of employer co... To reverse PY accrual of employer co...	24000 · Payroll Liabli... 40016 · Simple IRA (E...	2,250.00 2,250.00	2,250.00 2,250.00
<b>TOTAL</b>					<b>57,456.52</b>	<b>57,456.52</b>





**Guerrero, Jimenez, Diaz  
& Co. LLP**

A Certified Public Accounting Firm

December 23, 2016

To the Board of Directors  
Gaslamp Quarter Association  
614 5<sup>th</sup> Avenue, Ste. E  
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The Board should take an active part in the operations
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5. Timely intact deposit of all receipts
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During our work we noted the majority of the above general proposed control procedures are in place. This does not mean that other procedures are not in place, it only means that we did not come across during our work performed.

We have discussed the contents of this letter with Mr. Michael Trimble, and we are available to assist you in the implementation of the foregoing and to answer any questions regarding the contents of this letter. We wish to thank Mr. Trimble for his assistance and cooperation in the conduct of our audit.

Sincerely,

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12:57 PM

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Accrual Basis

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06/30/2016	CPA21		To accrue employer contribution to IRA. To accrue employer contribution to IRA.	40016 · Simple IRA (E... 24000 · Payroll Liabiliti...	2,250.00	2,250.00
07/01/2016	CPA22		To reverse PY accrual of employer co... To reverse PY accrual of employer co...	24000 · Payroll Liabiliti... 40016 · Simple IRA (E...	2,250.00	2,250.00
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**GASLAMP QUARTER ASSOCIATION**

Financial Statements

For the Year Ended June 30, 2016

And

Independent Auditors' Report

**GASLAMP QUARTER ASSOCIATION**

Financial Statements

June 30, 2016

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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, 2016, 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, 2016, 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 23, 2016

**GASLAMP QUARTER ASSOCIATION**

Statement of Financial Position

June 30, 2016

**ASSETS**

**Current Assets:**

Cash & Cash Equivalents	\$ 362,461
Accounts Receivable	87,859
Income Tax Estimated Payments	<u>6,168</u>
Total Current Assets	<u>456,488</u>

**Fixed Assets**

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

**Total Assets** \$ 456,488

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts Payable	\$ 9,436
Employer Match Retirement Plan Payable	2,250
Income Tax Payable	<u>16,000</u>
Total Liabilities	<u>27,686</u>

**Net Assets**

Unrestricted	<u>428,802</u>
Total Unrestricted Net Assets	<u>428,802</u>

**Total Liabilities and Net Assets** \$ 456,488

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

**GASLAMP QUARTER ASSOCIATION**

## Statement of Activities

For the Year Ended June 30, 2016

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

Governmental Funding:	
B.I.D.	\$ 79,834
S.B.E.P. Management Grant	16,595
County Grant	3,000
Parking District Grant	141,697
S.B.E.P. City Fees Offset Program	19,318
Total Government Funding	<u>260,444</u>
Special Events:	
Ticket Revenue	56,717
Product Sales/Auction	18,420
Vendor/Sponsor	107,003
Total Special Events	<u>182,140</u>
Other Revenue:	
Holiday Lighting / Banner (net)	45,525
Kiosk Advertising	42,725
Web Advertising	84,398
Public Pay Phone	2,032
Associated Membership	22,975
Print Advertising	8,794
Partnership/Shamrock	14,490
Other Income	10,042
Total Other Revenue	<u>230,981</u>
Total Revenue	<u>673,565</u>

**Expenses:**

Special Events & Programs:	
Special Events	185,443
Total Special Event Expenses	<u>185,443</u>
General & Administrative:	
Salaries & Wages	201,306
Employee Benefits	7,306
Payroll Taxes & Fees	18,032
Rent & Utilities	26,810
Dues/Memberships	1,833
Commissions	11,611
Accounting	14,750
Insurance - includes Workers Compensation	8,221
Postage	1,305
Equipment Rent/Repairs/Minor Equipment	6,406
Telephone	2,926
Meetings & Workshops	2,582
Office Supplies/Expense	790
Marketing	166,798
Bank Fees	2,662
Income Tax	6,257
Total General & Administrative Expenses	<u>479,595</u>
Total Expenses	<u>665,038</u>

**Increase in Net Assets** 8,527

**Net Assets, Beginning of Year** 420,275

**Net Assets, End of Year** \$ 428,802

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



**GASLAMP QUARTER ASSOCIATION**

Statement of Cash Flows  
For the Year Ended June 30, 2016

**Cash Flows From Operating Activities:**

Increase in Net Assets \$ 8,527

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

(Increase)/Decrease in Accounts Receivable	10,742
Increase in Income Tax Refund Receivable	2,743
Increase/(Decrease) in Accounts Payable	8,998
(Increase)/Decrease in Income Tax Estimated Payments	6,432
(Increase)/Decrease in Employer Retirement Plan Payable	2,250
Increase/(Decrease) in Income Tax Payable	(5,500)
Total Adjustments	<u>25,665</u>

**Net Cash Provided by Operating Activities** 34,192

**Cash Flows From Investing Activities** -

**Cash Flows From Financing Activities** -

**Net Decrease in Cash** 34,192

**Cash at Beginning of Period** 328,269

**Cash at End of Period** \$ 362,461

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

## **GASLAMP QUARTER ASSOCIATION**

### **Notes to Financial Statements**

June 30, 2016

#### **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, 2012 and before and by state authorities for years ending June 30, 2011 and before.

#### **NOTE 2 – Cash & Cash Equivalents**

Cash in Bank consists of the following:

Checking	\$160,603
Money Market	86,211
Certificate of Deposit	<u>115,647</u>
Total Cash & Cash Equivalents in Bank	<u>\$362,461</u>

#### **NOTE 3 - Revenues**

The Association is funded in part by the City of San Diego through a Business Improvement District ("BID") and a Parking and Small Business Enhancement Program ("SBEP") grants. For the BID, 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	\$39,775
SBEP Receivable	3,150
Parking District Grant	<u>44,934</u>
Total	<u>\$ 87,859</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, 2016 was \$2,250 payable as of June 30, 2016.

#### **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 through October 31, 2018.

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

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

#### **NOTE 7 – Income Tax**

For the year ended June 30, 2016, the Association was subject to income tax on unrelated business income, as follows:

Current Year Provision:

Federal Income Tax	\$10,000
State Income Tax	<u>6,000</u>
	<u>\$16,000</u>

Adjustments to Prior Year Provision:

Federal Income Tax	\$ (6,346)
State Income Tax	<u>(3,397)</u>
	<u>\$ (9,743)</u>

Tax Expense	<u>\$ 6,257</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, 2015.

#### **NOTE 8 – Pending Lawsuit**

Gaslamp Quarter 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 is currently negotiating with the plaintiff. The Association has good reason to believe the plaintiff will drop the lawsuit. The Association is working with its lawyer to defend this lawsuit.

#### **NOTE 9 – Subsequent Events**

Subsequent events have been evaluated through December 23, 2016, which is the date the financial statements were available to be issued.