

GASLAMP QUARTER ASSOCIATION
Financial Statements
For the Year Ended June 30, 2024
And
Independent Auditors' Report

GASLAMP QUARTER ASSOCIATION
Financial Statements
June 30, 2024

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

A Certified Public Accounting Firm

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gaslamp Quarter Association

Opinion

We have audited the accompanying financial statements of Gaslamp Quarter Association (a Non-Profit Association), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 Gaslamp Quarter Association of June 30, 2024, and the changes in its net assets and its cash flows for the year 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 Gaslamp Quarter Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Gaslamp Quarter Association 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 design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gaslamp Quarter Association'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 Gaslamp Quarter Association'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.

Guerrero, Jimenez, Diaz & Co LLP

Guerrero, Jimenez, Diaz & Co LLP
Certified Public Accountants

San Diego, California
February 3, 2026

GASLAMP QUARTER ASSOCIATION
Statement of Financial Position
June 30, 2024

ASSETS

Current Assets:

Cash	\$ 255,687
Accounts Receivable	311,379
Prepaid Income Taxes (Note 5)	4,333
Prepaid Expense (Note 4)	13,878
Total Current Assets	585,277

Fixed Assets

Office Furniture	21,398
Accumulated Depreciation	(21,398)
Net Fixed Assets	-

Other Assets

Right-of-use Assets (Note 9)	76,967
Total Other Assets	76,967

Total Assets	\$ <u>662,244</u>
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LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ 11,157
Accrued Expenses	2,794
Lease Liabilities (Note 9)	76,967
Income Tax Payable (Note 6)	13,800
Total Liabilities	104,718

Net Assets

Without Donor Restrictions - Undesignated	557,526
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Total Net Assets	<u>557,526</u>
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Total Liabilities and Net Assets	\$ <u>662,244</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, 2024

CHANGES IN UNRESTRICTED NET ASSETS:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Governmental Funding:			
B.I.D.	\$ 61,401	\$ -	\$ 61,401
S.B.E.P. Management Grant	-	24,678	24,678
Parking District Program	565,845	-	565,845
Net Assets Released from Restrictions	24,678	(24,678)	-
Total Government Funding	<u>651,924</u>	<u>-</u>	<u>651,924</u>
Special Events:			
Ticket Revenue	40,845	-	40,845
Vendor/Sponsor	47,570	-	47,570
Total Special Events	<u>88,415</u>	<u>-</u>	<u>88,415</u>
Other Revenue:			
Holiday Lighting / Banner (net)	86,469	-	86,469
Friends of Gaslamp	10,379	-	10,379
Kiosk Advertising	294,164	-	294,164
Web Advertising	35,145	-	35,145
Tech. Assistance	3,000	-	3,000
Associated Membership	1,825	-	1,825
Sunday Market	150,182	-	150,182
Other Income	3,463	-	3,463
Total Other Revenue	<u>584,627</u>	<u>-</u>	<u>584,627</u>
Total Revenue	<u>1,324,966</u>	<u>-</u>	<u>1,324,966</u>
Operating Expenses:			
Program	1,134,508	-	1,134,508
General & Administrative	161,626	-	161,626
Total Operating Expenses	<u>1,296,134</u>	<u>-</u>	<u>1,296,134</u>
Other Expense:			
Income Tax Expense	13,795	-	13,795
Increase/(Decrease) in Net Assets	<u>15,037</u>	<u>-</u>	<u>15,037</u>
Net Assets, Beginning of Year	<u>542,489</u>	<u>-</u>	<u>542,489</u>
Net Assets, End of Year	<u>\$ 557,526</u>	<u>-</u>	<u>\$ 557,526</u>

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

GASLAMP QUARTER ASSOCIATIONSchedule of Functional Expenses
For the Year-Ended June 30, 2024

	<u>Program</u>	<u>General & Administrative</u>	<u>Total</u>
Accounting	\$ 22,290	\$ 14,860	\$ 37,150
Bad Debt Expense	6,758	4,505	\$ 11,263
Bank Fees	1,259	839	2,098
Dues/Memberships	7,336	4,891	12,227
Employee Benefits	13,152	8,768	21,920
Equipment Rent/Repairs/Minor Equipment	3,662	2,442	6,104
Insurance	16,081	10,721	26,802
Interest	3,204	2,136	5,340
Legal & Professional	4,541	3,028	7,569
Marketing	205,311	-	205,311
Meetings & Workshops	1,226	-	1,226
Miscellaneous	3,302	2,202	5,504
Office Supplies/Expense	3,102	2,068	5,170
Payroll Taxes & Fees	9,943	6,629	16,572
Postage & Shipping	1,073	715	1,788
Rent & Utilities	22,822	15,215	38,037
Salaries & Wages	117,507	78,338	195,845
Special Events	685,533	-	685,533
Taxes & License	893	595	1,488
Telephone	5,512	3,675	9,187
Total Expenses	<u>\$ 1,134,508</u>	<u>\$ 161,626</u>	<u>\$ 1,296,134</u>

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

GASLAMP QUARTER ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash Flows From Operating Activities:	
Increase/(Decrease) in Net Assets	\$ 15,037
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by Operating Activities:	
(Increase)/Decrease in Prepaid Income Taxes	(4,333)
(Increase)/Decrease in Accounts Receivable	329,236
Increase/(Decrease) in Accounts Payable	(30,488)
(Increase)/Decrease in Prepaid Expenses	(4,297)
Increase/(Decrease) in Accrued Expenses	2,794
Increase/(Decrease) in Income Tax Payable	(52,262)
Total Adjustments	<u>240,650</u>
Net Cash Provided/(Used) by Operating Activities	<u>255,687</u>
Cash Flows From Investing Activities	-
Cash Flows From Financing Activities	-
Net Increase/(Decrease) in Cash	<u>255,687</u>
Cash at Beginning of Period	<u>-</u>
Cash at End of Period	<u>\$ 255,687</u>

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

GASLAMP QUARTER ASSOCIATION
Notes to Financial Statements
June 30, 2024

NOTE 1 – Summary of Significant Accounting Policies

Nature of Association

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.

Basis of Presentation

The financial statements of the Association have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Association 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 Association. These net assets may be used at the discretion of the Association'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 Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activity.

Cash and Cash Equivalents

The Association considers all highly liquid investments with an original maturity of less than three months to be cash equivalents. Cash and cash equivalents include cash in readily available checking accounts.

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 Association'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.

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.

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 Association 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, ("ASU") 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 Associations 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 Association 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 Association 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 Association'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 Association has evaluated subsequent events through February 3, 2026, which is the date the financial statements are available for issuance

Income Taxes

The Association was organized as a non-profit Association 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 (See Note 5). The Financial Accounting Standards Board (FASB) issued Accounting Standards codification 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 Association has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

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.

NOTE 2 - Revenues

The Association is funded in part by the City of San Diego through the Parking, Business Improvement District ("BID"), 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. The Association also receives funding from the City of San Diego, through parking meter revenues, to manage/administer the Parking District program. 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 3 - Accounts Receivable

The total balance in accounts receivable is comprised of:

Parking District	\$ 237,922
Programs	59,354
SBEP Receivable	<u>14,103</u>
Total	<u>\$ 311,379</u>

NOTE 4 – Prepaid Expense

As of June 30, 2024, the Association prepaid expense is comprised of:

Prepaid Insurance	\$ 10,254
Prepaid Website Development	<u>3,624</u>
Total	<u>\$ 13,878</u>

NOTE 5 – Prepaid Income Tax

As of June 30, 2024, the Association prepaid income tax is comprised of:

Prepaid Federal Income Tax	\$ 3,066
Prepaid State Income Tax	<u>1,267</u>
Total	<u>\$ 4,333</u>

NOTE 6 – Income Tax

For the year ended June 30, 2024, the Association was subject to income tax on unrelated business income, as follows:

Current Year Provision:

Federal Income Tax	\$ 9,500
State Income Tax	<u>4,300</u>
	<u>\$13,800</u>

Adjustments to Prior Year Provision: Expense/(Benefits)

Federal Income Tax	\$ (6)
State Income Tax	<u>1</u>
	<u>(5)</u>

Income Tax Expense \$ 13,795

As of June 30, 2024, the Association income tax payable is comprised as follows:

Federal Income Tax Payable	\$ 9,500
CA State Income Tax Payable	<u>4,300</u>
Total	<u>\$ 13,800</u>

NOTE 7 – Net Assets without Donor Restrictions

The Association has undesignated Net Assets without donor restrictions of \$557,526 at June 30, 2024.

NOTE 8 – Liquidity and Availability of Resources

The Association'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	\$ 255,687
Accounts Receivable	<u>311,379</u>
Total financial assets available within one year	<u>\$ 567,066</u>

Less:

Amounts unavailable for general expenditures within one year due to:
 Restricted by donors with purpose restrictions -

Amounts unavailable to management without Board of Directors approval: -

Total financial assets available to management for general expenditure within one year \$567,066

NOTE 9 – Lease Commitment

The facility at 614 Fifth Avenue, Suite F, San Diego, California 92101 lease was renewed on November 1, 2021 when the Association exercised the option to extend the term for a period of five years through October 31, 2026. At June 30, 2024, the monthly rent was \$2,800.

The right-of-use (ROU) assets represent the Association's right to use underlying assets for the lease term, and the lease liabilities represent the Association's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Association has made an accounting policy election to use the US Treasury rate to discount future lease payments. The US Treasury rate applied to calculate lease liabilities was 4.2%.

The right-of-use assets at June 30, 2024 is 76,967. The future minimum base lease payments required under the lease agreement is as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2025	\$34,000
2026	34,600
2027	<u>11,600</u>
Total lease payments	80,200
Less discount	<u>(3,233)</u>
Present value of lease liability	<u>76,967</u>