

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2009



MacNeill & Wolski

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Park Organization of Businesses, Inc.
San Diego, California

We have audited the accompanying statement of financial position of the North Park Organization of Businesses, Inc., (a non-profit corporation) as of June 30, 2009, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Park Organization of Businesses, Inc. as of June 30, 2009, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The prior-year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated September 18, 2008, we expressed an unqualified opinion on those financial statements.

September 29, 2009

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

(With Comparative Totals for 2008)

	<u>ASSETS</u>	2008 (Memorandum Only)
	<u>2009</u>	<u>Only</u>
CURRENT ASSETS		
Cash (Note 5)	\$39,556	\$41,441
Accounts receivables (Note 2)	17,401	27,198
Prepaid expenses	<u>6,940</u>	<u>4,290</u>
Total Current Assets	<u>63,897</u>	<u>72,929</u>
FIXED ASSETS		
Equipment	3,453	3,453
Accumulated depreciation	<u>(3,390)</u>	<u>(3,104)</u>
Total Fixed Assets	<u>63</u>	<u>349</u>
Total Assets	<u>\$63,960</u>	<u>\$73,278</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable		\$ 8,576
Deposits	\$ <u>75</u>	<u>75</u>
Total Current Liabilities	<u>75</u>	<u>8,651</u>
NET ASSETS (Notes 5 and 7)		
Unrestricted	45,836	46,605
Temporarily restricted	<u>18,049</u>	<u>18,022</u>
Total Net Assets	<u>63,885</u>	<u>64,627</u>
Total Liabilities and Net Assets	<u>\$63,960</u>	<u>\$73,278</u>

See Notes to Financial Statements.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	Total	2008 (Memorandum Only)
SUPPORT AND REVENUE				
Government Appropriations (Note 3)	\$ 79,619		\$ 79,619	\$ 98,459
Bid Assessments (Note 4)	33,835		33,835	17,400
Grants	50,000		50,000	
Special Events	51,426		51,426	39,637
Program	14,425		14,425	
Farmers Market	19,897		19,897	20,352
Other	5,468		5,468	2,958
Interest	<u>31</u>	\$ 27	<u>58</u>	<u>99</u>
Total Support and Revenue	<u>254,701</u>	<u>27</u>	<u>254,728</u>	<u>178,905</u>
EXPENDITURES				
Special events	67,894		67,894	45,076
Programs	108,952		108,952	81,452
Administration	<u>78,624</u>		<u>78,624</u>	<u>67,062</u>
Total Expenditures	<u>255,470</u>		<u>255,470</u>	<u>193,590</u>
CHANGE IN NET ASSETS	(769)	27	(742)	(14,685)
NET ASSETS BEGINNING OF YEAR (Note 7)	<u>46,605</u>	<u>18,022</u>	<u>64,627</u>	<u>79,312</u>
NET ASSETS END OF YEAR	<u>\$ 45,836</u>	<u>\$ 18,049</u>	<u>\$ 63,885</u>	<u>\$ 64,627</u>

See Notes to Financial Statements.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

(With Comparative Totals for 2008)

	<u>2009</u>	2008 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (742)	\$(14,685)
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:		
Depreciation	286	286
(Increase) Decrease in:		
Receivables	9,797	3,428
Prepaid expenses	(2,650)	(924)
Increase (Decrease) in:		
Accounts payable	<u>(8,576)</u>	<u>7,465</u>
Cash Flows from Operating Activities	<u>(1,885)</u>	<u>(4,430)</u>
NET INCREASE (DECREASE) IN CASH	(1,885)	(4,430)
CASH BALANCES AT BEGINNING OF YEAR	<u>41,441</u>	<u>45,871</u>
CASH BALANCES AT END OF YEAR	<u>\$ 39,556</u>	<u>\$ 41,441</u>

See Notes to Financial Statements.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Activities

North Park Organization of Businesses, Inc. (the "Organization"), is a non-profit consortium of local businesses organized for the purposes of promoting, improving and fostering business conditions in the City of San Diego in an area commonly known as North Park, pursuant to City Ordinance 16481, which established and defined a parking and business improvement area as the North Park Business Improvement District under the provisions of the Parking and Business Improvement Area Law of 1979 of the State of California and enabling ordinances of the City of San Diego.

Financial Statement Presentation

The Organization has adopted the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-for-Profit Organizations" (Statement No. 117). Statement No. 117 establishes standards for general-purpose external financial statements provided by not-for-profit organizations, in order to enhance the relevance, understandability, and comparability of financial statements issued by those organizations. Statement No. 117 also requires that net assets and revenue, gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted, as follows:

- 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.

At June 30, 2008, the Organization had only unrestricted and temporarily restricted net assets.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - (Continued)

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 7 years. All property and equipment purchased by the Organization 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 Organization is required to deliver such assets to the City of San Diego.

Income Taxes

The Organization qualifies as a nonprofit organization under Section 501(c)6 of the Internal Revenue Service and similar California law, and is not subject to income taxes.

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

2. Accounts Receivable

Accounts receivable are summarized as follows:

City of San Diego:	
Transient Occupancy Tax ("TOT") Funds	\$ 6,569
San Diego Music Foundation	8,457
Other	<u>2,375</u>
Total	<u>\$17,401</u>

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

NOTES TO FINANCIAL STATEMENTS

3. Government Appropriations

Government appropriations are summarized as follows:

City of San Diego

City Revitalization	\$23,474
SBEP Grant	16,576
City Arts and Culture	26,569
County Community Enhancement	3,000
County Community Projects	<u>10,000</u>
Total	<u>\$79,619</u>

4. Bid Assessments

BID Assessment income results from a special assessment collected by the City of San Diego from businesses in the North Park business district. The City remits these funds to the Organization to reimburse it for certain qualified disbursements.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets represent donations restricted for use toward the operation and maintenance of the community sign of North Park.

6. Commitments

The Organization leases office space under a noncancellable operating lease which expires September 30, 2012. The lease requires monthly rental payments ranging from \$1,500 to \$1,875. The Organization also leases office equipment under a noncancellable operating lease with payments of \$406 monthly through February, 2010. Rental expenses for those leases amounted to \$23,772 for the year ended June 30, 2009.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2009 are:

Year ended June 30:

2010	\$ 24,972
2011	25,947
2012	25,448
2013	<u>5,625</u>
	<u>\$ 81,992</u>

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

NOTES TO FINANCIAL STATEMENTS

7. Prior Period Adjustments

A grant made to the Organization in 2008 in the amount of \$9,226 was not recorded as a receivable at June 30, 2008. Accordingly, an adjustment of \$9,266 was made during the year ended June 30, 2009, to properly record the receivable as of the beginning of the year. The restatement increases beginning net assets by \$9,226.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

(With Comparative Totals for 2008)

	Special <u>Events</u>	<u>Programs</u>	Adminis- <u>tration</u>	<u>Total</u>	2008 (Memorandum <u>Only</u>)
Salaries	\$ 6,849	\$ 53,285	\$18,422	\$ 78,556	\$ 71,690
Payroll taxes	595	4,633	1,602	6,830	6,180
Employee benefits	<u>849</u>	<u>6,606</u>	<u>2,284</u>	<u>9,739</u>	<u>9,301</u>
Total Payroll	8,293	64,524	22,308	95,125	87,171
Administration		3,700		3,700	
Banners	6,182			6,182	5,029
Decorations		450		450	2,386
Entertainment	5,750			5,750	6,600
Advertising	4,502		197	4,699	5,590
Bad debt		300		300	555
Equipment rent	425		4,899	5,324	11,701
Graffiti cleanup		7,345		7,345	
Supplies	477	1,455	2,008	3,940	3,282
Professional fees	1,290		15,048	16,338	17,013
Dues and subscriptions			1,150	1,150	460
Printing	1,091			1,091	704
Marketing	5,590	1,671		7,261	10,134
Project design	2,000	3,637		5,637	109
Repairs					65
Technical production	13,349			13,349	6,032
Insurance	508		6,988	7,496	7,867
Telephone			2,420	2,420	2,562
Taxes and licenses	250	1,225	100	1,575	1,110
Outside services	7,660	21,632	935	30,227	2,704
Postage			602	602	1,264
Rent	4,425	2,626	18,900	25,951	17,400
Workshops			1,447	1,447	
Utilities			1,061	1,061	1,427
Miscellaneous	6,102	387	217	6,706	2,127
Travel	<u> </u>	<u> </u>	<u>58</u>	<u>58</u>	<u>12</u>
Total expenses before depreciation	67,894	108,952	78,338	255,184	193,304
Depreciation	<u> </u>	<u> </u>	<u>286</u>	<u>286</u>	<u>286</u>
Total Expenses	<u>\$67,894</u>	<u>\$108,952</u>	<u>\$78,624</u>	<u>\$255,470</u>	<u>\$193,590</u>