

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2010



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, 2010, 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. The prior-year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated September 29, 2009, we expressed an unqualified opinion on those financial statements

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, 2010, 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.

October 29, 2010

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

(With Comparative Totals for 2009)

	<u>ASSETS</u>	
	2010	2009 (Memorandum Only)
CURRENT ASSETS		
Cash (Note 5)		
Accounts receivables (Note 2)	\$47,989	\$39,556
Prepaid expenses	31,275	17,401
	<u>4,570</u>	<u>6,940</u>
Total Current Assets	<u>83,834</u>	<u>63,897</u>
FIXED ASSETS		
Equipment		
Accumulated depreciation	2,641	3,453
	<u>(2,641)</u>	<u>(3,390)</u>
Total Fixed Assets	<u>-</u>	<u>63</u>
Total Assets	<u>\$83,834</u>	<u>\$63,960</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 3,000	
Deposits	75	\$ 75
Deferred revenue	<u>25,000</u>	
Total Current Liabilities	<u>28,075</u>	<u>75</u>
NET ASSETS (Note 5)		
Unrestricted	37,693	45,836
Temporarily restricted	<u>18,066</u>	<u>18,049</u>
Total Net Assets	<u>55,759</u>	<u>63,885</u>
Total Liabilities and Net Assets	<u>\$83,834</u>	<u>\$63,960</u>

See Notes to Financial Statements.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

(With Comparative Totals for 2009)

	Unrestricted	Temporarily Restricted	Total	2009 (Memorandum Only)
SUPPORT AND REVENUE				
Government Appropriations (Note 3)	\$ 35,229		\$ 35,229	\$ 79,619
Bid Assessments (Note 4)	78,486		78,486	33,835
Grants				50,000
Special Events	104,194		104,194	51,426
Program	25,884		25,884	14,425
Farmers Market	26,299		26,299	19,897
Other	4,700		4,700	5,468
Interest		\$ 17	17	58
Total Support and Revenue	274,792	17	274,809	254,728
EXPENDITURES				
Special events	88,396		88,396	67,894
Programs	117,666		117,666	108,952
Administration	76,683		76,683	78,624
Total Expenditures	282,935		282,935	255,470
CHANGE IN NET ASSETS	(8,143)	17	(8,126)	(742)
NET ASSETS BEGINNING OF YEAR (Note 7)	45,836	18,049	63,885	64,627
NET ASSETS END OF YEAR	\$ 37,693	\$ 18,066	\$ 55,759	\$ 63,885

See Notes to Financial Statements.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

(With Comparative Totals for 2009)

	<u>2010</u>	2009 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (8,126)	\$ (742)
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:		
Depreciation	63	286
(Increase) Decrease in:		
Receivables	(13,874)	9,797
Prepaid expenses	2,370	(2,650)
Increase (Decrease) in:		
Accounts payable	3,000	(8,576)
Deferred revenue	<u>25,000</u>	<u> </u>
Cash Flows from Operating Activities	<u>8,433</u>	<u>(1,885)</u>
NET INCREASE (DECREASE) IN CASH	8,433	(1,885)
CASH BALANCES AT BEGINNING OF YEAR	<u>39,556</u>	<u>41,441</u>
CASH BALANCES AT END OF YEAR	\$ <u>47,989</u>	\$ <u>39,556</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, 2010, 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	\$12,283
BID Reimbursement	17,326
Other	<u>1,666</u>
Total	<u>\$31,275</u>

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

NOTES TO FINANCIAL STATEMENTS

3. Government Appropriations

Government appropriations are summarized as follows:

City of San Diego

SBEP Grant	\$20,135
City Arts and Culture	11,094
County Community Enhancement	<u>4,000</u>
Total	<u>\$35,229</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 April, 2010. Rental expenses for those leases amounted to \$23,934 for the year ended June 30, 2010.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2010 are:

Year ended June 30:

2011	\$21,075
2012	22,200
2013	<u>5,625</u>
	<u>\$48,900</u>

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	Special Events	Programs	Adminis- tration	Total	2009 (Memorandum Only)
Salaries	\$ 7,525	\$ 53,622	\$18,412	\$ 79,559	\$ 78,556
Payroll taxes	636	4,533	1,557	6,726	6,830
Employee benefits	<u>632</u>	<u>4,504</u>	<u>1,546</u>	<u>6,682</u>	<u>9,739</u>
Total Payroll	8,793	62,659	21,515	92,967	95,125
Administration	2,830			2,830	3,700
Banners	55			55	6,182
Decorations		400		400	450
Entertainment	3,600			3,600	5,750
Advertising	4,135			4,135	4,699
Bad debt		2,684		2,684	300
Equipment rent	2,559		3,834	6,393	5,324
Graffiti cleanup		975		975	7,345
Supplies	1,667	93	903	2,663	3,940
Professional fees			17,393	17,393	16,338
Dues and subscriptions			900	900	1,150
Management		4,386		4,386	
Printing	2,488			2,488	1,091
Marketing	13,066	6,804		19,870	7,261
Project design	590	25,008		25,598	5,637
Technical production	16,398			16,398	13,349
Insurance	508	223	6,338	7,069	7,496
Telephone			2,926	2,926	2,420
Taxes and licenses	791	954	10	1,755	1,575
Outside services	17,023		950	17,973	30,227
Postage	88		548	636	602
Rent	7,080	5,402	20,100	32,582	25,951
Workshops			390	390	1,447
Utilities			958	958	1,061
Miscellaneous	6,725	1,078	21	7,824	6,706
Travel			24	24	58
Community profile	<u> </u>	<u>7,000</u>	<u> </u>	<u>7,000</u>	<u> </u>
Total expenses before depreciation	88,396	117,666	76,809	282,872	255,184
Depreciation	<u> </u>	<u> </u>	<u>63</u>	<u>63</u>	<u>286</u>
Total Expenses	<u>\$88,396</u>	<u>\$117,666</u>	<u>\$76,873</u>	<u>\$282,935</u>	<u>\$255,470</u>