

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

Financial Statements

For The Year Ended June 30, 2011

Independent Auditors' Report

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
Financial Statements
June 30, 2011

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of North Park Organization of Businesses, Inc. (a Non-Profit Organization) as of June 30, 2011 and 2010, and the related statement of activity, schedule of expenses, and statement 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 upon our audit. The financial statements of North Park Organization of Businesses, Inc. as of June 30, 2010 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated October 29, 2010.

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 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 North Park Organization of Businesses, Inc. as of June 30, 2011 and 2010, and the results of its operations 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
Certified Public Accountants

San Diego, California
October 26, 2011

NORTH PARK ORGANIZATION OF BUSINESSES, INC.Statement of Financial Position
For the Year Ended June 30, 2011

ASSETS			2011	2010
			<u> </u>	<u> </u>
Current Assets:				
Cash		\$	83,843	47,989
Accounts Receivable			31,770	31,275
Prepaid Expenses			4,284	4,570
Total Current Assets			<u>119,897</u>	<u>83,834</u>
Fixed Assets:				
Equipment			2,641	2,641
Accumulated Depreciation			<u>(2,641)</u>	<u>(2,641)</u>
Fixed Assets (Net)			-	-
Total Assets		\$	<u><u>119,897</u></u>	<u><u>83,834</u></u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable		\$	1,959	3,000
Deposits			75	75
Deferred Revenue				25,000
			<u> </u>	<u> </u>
Total Liabilities			2,034	28,075
Net Assets				
Temporarily Restricted Net Assets			142,955	18,066
Unrestricted Net Assets			<u>(25,092)</u>	<u>37,693</u>
Total Net Assets			<u>117,863</u>	<u>55,759</u>
Total Liabilities and Net Assets		\$	<u><u>119,897</u></u>	<u><u>83,834</u></u>

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

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
Statement of Activity
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total	2010
Revenue:				
Governmental Funding:				
BID Assessments	\$ 57,114		57,114	78,486
Small Business Enhancement Program Grant	18,469		18,469	20,135
Grant Income		99,889	99,889	15,094
Total Governmental Funding	<u>75,583</u>	<u>99,889</u>	<u>175,472</u>	<u>113,715</u>
Other Revenue:				
Special Events	223,437		223,437	130,493
Program Income	6,215		6,215	25,884
Other Income	3,309		3,309	4,700
Interest Earned	35		35	17
Total Other Revenue	<u>232,996</u>	<u>-</u>	<u>232,996</u>	<u>161,094</u>
Total Revenue	308,579	99,889	408,468	274,809
Expenses:				
Program	320,525	-	320,525	206,252
General and Administrative	50,839	-	50,839	76,683
Total Expenses	<u>371,364</u>	<u>-</u>	<u>371,364</u>	<u>282,935</u>
Increase/(Decrease) in Net Assets	(62,785)	99,889	37,104	(8,126)
Net Assets Beginning of Year	37,693	18,066	55,759	63,885
Prior Period Adjustment		25,000	25,000	
Net Assets End of Year	<u>\$ (25,092)</u>	<u>142,955</u>	<u>117,863</u>	<u>55,759</u>

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

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2011

	Program	General & Administrative	Total	2010
Salaries & Wages	\$ 62,500	\$ 20,833	83,333	79,559
Payroll Taxes	5,149	1,716	6,865	6,726
Employee Benefits	7,097	2,366	9,463	6,682
Total Payroll & Related Expenses	<u>74,746</u>	<u>24,915</u>	<u>99,661</u>	<u>92,967</u>
Accounting/Audit	12,872	4,291	17,163	17,393
Advertising/Marketing	821	274	1,095	24,005
Grant Expenses	37,429	12,476	49,905	-
Payroll Processing Fees	764	255	1,018	-
Bad Debt	-	-	-	2,684
Consultants	-	-	-	17,973
Taxes & Licenses	23	8	30	1,755
Design	-	-	-	25,598
Utilities	643	214	857	958
Dues/Subscriptions	675	225	900	900
Insurance	4,706	1,569	6,275	7,069
Workshops	453	151	604	390
Miscellaneous	-	-	-	7,824
Phone/Fax	1,685	562	2,246	2,926
Postage	473	158	630	636
Printing/Copies	-	-	-	2,488
Special Projects/Events	168,007	-	168,007	34,669
Rent	16,204	5,401	21,605	38,975
Repairs & Maintenance	-	-	-	975
Depreciation	-	-	-	63
Supplies	1,026	342	1,368	2,663
Travel	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>
Total Expenses	\$ <u>320,525</u>	\$ <u>50,839</u>	\$ <u>371,364</u>	\$ <u>282,935</u>

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

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

Statement of Cash Flows
For the Year Ended June 30, 2011

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 37,104	(8,126)
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	-	63
Increase in Accounts Receivable	(495)	(13,874)
Decrease in Prepaid Expenses	286	2,370
Decrease in Accounts Payable	(1,041)	3,000
Deferred Revenue	(25,000)	25,000
Total Adjustments	<u>(26,250)</u>	<u>16,559</u>
Net Cash Provided by Operating Activities	<u>10,854</u>	<u>8,433</u>
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities		
Prior Period Adjustment	25,000	-
Net Increase/(Decrease) in Cash	<u>35,854</u>	<u>8,433</u>
Cash at Beginning of Period	<u>47,989</u>	<u>39,556</u>
Cash at End of Period	\$ <u><u>83,843</u></u>	\$ <u><u>47,989</u></u>

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

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

Notes to Financial Statements
June 30, 2011

NOTE 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

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.

At June 30, 2011, the Organization had only unrestricted and temporarily restricted net assets.

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 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 and was granted exemption from Federal and State income taxes under sections 501(c)(6) of the Internal Revenue Code and 23701(e) of the State of California Revenue and Taxation Law.

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 Organization is funded principally by the City of San Diego. City of San Diego receives the funds as a special assessment collected together with business licensing fees from businesses located within the North Park business district. Such funds are used to reimburse North Park Organization of Businesses, Inc. for approved maintenance expenses. The organization also receives revenue from the city for metered parking. In addition, the organization organizes annual and special events which are held within the North Park business district. Monies raised from these activities help fund improvement projects in the business district.

NOTE 3 - Accounts Receivable

The balance in accounts receivable represents the following unpaid claims submitted to various agencies of the City of San Diego and other private grants for expenditures incurred through the end of the fiscal year.

City of San Diego Grants	\$11,080
BID	19,190
Other	<u>1,500</u>
Total	<u>31,770</u>

NOTE 4 – Lease Agreement

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.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2011 are:

Year ended June 30:	
2013	5,625

NOTE 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets is comprised of the following;

Maintenance of community signs	\$18,066
County of San Diego Grant	25,000
City CDBG (Tree Grates & Bike Racks)	<u>99,889</u>
Total	<u>142,955</u>

These Temporarily restricted net assets represent donations restricted for use toward the operation and maintenance of the community sign of North Park, County of San Diego Grant for park building project, and the City of San Diego grants for the construction of the tree crates and bike racks.

NOTE 6 – Subsequent Event

The organization currently has a 3 months extension to file Federal and State tax returns because it is requesting to change its status to a 501(c) 6 organization with the State of California.

NOTE 7 – Prior Period Adjustment

The prior period adjustment of \$25,000 is to reclass the San Diego County grant for park building project from Deferred Revenue to Temporarily Restricted Net Assets.