

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
Financial Statements
For The Year Ended June 30, 2017
Independent Auditors' Report

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
Financial Statements
June 30, 2017

TABLE OF CONTENTS

Page

1-2	Independent Auditors' Report
3	Statement of Financial Position
4	Statement of Activity
5	Schedule of Functional Expenses
6	Statement of Cash Flows
7-9	Notes to Financial Statements



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

A Certified Public Accounting Firm

Independent Auditors' Report

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

We have audited the accompanying financial statements of North Park Organization of Businesses, Inc. (a Non-Profit Organization), which comprise of the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 North Park Organization of Businesses, Inc. as of June 30, 2017 and 2016, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited North Park Organization of Businesses, Inc. 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Guerrero, Jimenez, Diaz, & Co., LLP
Certified Public Accountants

San Diego, California
November 15, 2017

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

Statement of Financial Position
For the Year Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash	\$ 63,772	\$ 86,221
Accounts Receivable	58,468	68,586
Prepaid Expenses	<u>7,543</u>	<u>5,771</u>
Total Current Assets	129,783	160,578
Fixed Assets:		
Equipment	11,291	2,641
Leasehold Improvements	-	5,180
Accumulated Depreciation	<u>(2,877)</u>	<u>(5,231)</u>
Fixed Assets (Net)	8,414	2,590
Total Assets	<u>\$ 138,197</u>	<u>\$ 163,168</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 303	\$ 81
Grants Payable	<u>20,000</u>	<u>20,000</u>
Total Liabilities	20,303	20,081
Net Assets		
Temporarily Restricted Net Assets	-	10,200
Unrestricted Net Assets	<u>117,894</u>	<u>132,887</u>
Total Net Assets	117,894	143,087
Total Liabilities and Net Assets	<u>\$ 138,197</u>	<u>\$ 163,168</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, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2016</u>
Revenue:				
Governmental Funding:				
BID Reimbursements	\$ 79,000	\$ -	\$ 79,000	\$ 73,000
Small Business Enhancement Program Grant	17,773	-	17,773	17,661
Government Grant Income	52,843	25,000	77,843	95,917
Net Assets Released from Restrictions	<u>35,200</u>	<u>(35,200)</u>	<u>-</u>	<u>-</u>
Total Governmental Funding	184,816	(10,200)	174,616	186,578
Other Revenue:				
Special Events	347,870	-	347,870	280,976
Program Income	46,386	-	46,386	68,114
Other Income	245	-	245	3,587
Interest Earned	<u>53</u>	<u>-</u>	<u>53</u>	<u>55</u>
Total Other Revenue	<u>394,554</u>	<u>-</u>	<u>394,554</u>	<u>352,732</u>
Total Revenue	579,370	(10,200)	569,170	539,310
Expenses:				
Program	486,191	-	486,191	419,388
General and Administrative	<u>108,172</u>	<u>-</u>	<u>108,172</u>	<u>91,186</u>
Total Expenses	<u>594,363</u>	<u>-</u>	<u>594,363</u>	<u>510,574</u>
Increase/(Decrease) in Net Assets	(14,993)	(10,200)	(25,193)	28,736
Net Assets Beginning of Year	132,887	10,200	143,087	114,351
Net Assets End of Year	<u>\$ 117,894</u>	<u>\$ -</u>	<u>\$ 117,894</u>	<u>\$ 143,087</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, 2017 and 2016

	Program	General & Administrative	Total	2016
Salaries & Wages	\$ 98,408	\$ 32,803	\$ 131,210	\$ 111,373
Payroll Taxes	8,723	2,908	11,631	9,265
Employee Benefits	13,947	4,649	18,596	14,537
Total Payroll & Related Expenses	<u>121,078</u>	<u>40,359</u>	<u>161,437</u>	<u>135,175</u>
Accounting/Audit	23,954	7,985	31,938	22,413
Advertising/Marketing	6,357	2,119	8,476	5,136
Grant Expenses	32,156	10,719	42,874	51,537
Payroll Processing Fees	1,091	364	1,455	1,353
Depreciation	455	152	606	740
Hospitality	1,223	408	1,630	2,467
Bank Fees	188	63	251	187
Taxes & Licenses	8	3	10	10
Internet	533	178	711	771
Utilities	2,129	710	2,839	1,306
Dues/Subscriptions	1,463	488	1,950	1,425
Legal Fees	750	250	1,000	-
Insurance	6,351	2,117	8,468	8,774
Workshops	3,197	1,066	4,263	1,357
Miscellaneous	-	-	-	2
Phone/Fax	1,900	633	2,533	2,134
Postage	288	96	384	241
Special Projects/Events	242,510	26,946	269,456	243,051
Rent	24,168	8,056	32,224	26,360
Moving Expense	10,292	3,431	13,723	-
Repairs & Maintenance	94	31	125	597
Gain/Loss on Disposal of Assets	1,665	555	2,220	-
Supplies	4,296	1,432	5,728	5,500
Travel	47	16	62	38
Total Expenses	<u>\$ 486,191</u>	<u>\$ 108,172</u>	<u>\$ 594,363</u>	<u>\$ 510,574</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (25,193)	\$ 28,736
Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	606	740
(Increase)/Decrease in Accounts Receivable	10,119	6,738
(Increase)/Decrease in Prepaid Expenses	(1,775)	132
Increase/(Decrease) in Accounts Payable	224	(3,122)
Total Adjustments	<u>9,174</u>	<u>4,488</u>
Net Cash Provided by (Used in) Operating Activities	<u>(16,019)</u>	<u>33,224</u>
Cash Flows from Investing Activities		
Gain/loss on disposal of assets	2,220	-
Purchase of Furniture & Equipment	(8,650)	
Cash Flows from Financing Activities	-	-
Net Increase/(Decrease) in Cash	<u>(22,449)</u>	<u>33,224</u>
Cash at Beginning of Period	<u>86,221</u>	<u>52,997</u>
Cash at End of Period	<u>\$ 63,772</u>	<u>\$ 86,221</u>

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

NORTH PARK ORGANIZATION OF BUSINESSES, INC.

Notes to Financial Statements

June 30, 2017

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.

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. 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, 2013 and before and by state authorities for years ending June 30, 2012 and before.

NOTE 2 – Revenues

The Organization is funded principally by the City of San Diego through a Business Improvement District Contract "BID" and grants. City of San Diego receives the BID 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 district activities and maintenance expenses. 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 unpaid claims submitted to various agencies of the City of San Diego for expenditures incurred through the end of the fiscal year and other receivables as follows:

	<u>2017</u>	<u>2016</u>
City of San Diego Grants	\$52,843	\$65,586
Other	<u>5,625</u>	<u>3,000</u>
Total	<u>58,468</u>	<u>68,586</u>

NOTE 4 – Grants Payable

During the fiscal year ending June 30, 2014, the Organization received \$20,000 as private grants to support the Property Based Business Improvement District (PBID). The PBID is awaiting the City of San Diego's approval. If the PBID is not approved, the funds have to be returned to the grantor parties.

NOTE 5 – Lease Commitment

The Organization has moved to a new location at 3939 Iowa Street, Suite 2, San Diego, CA 92104. It entered into a lease agreement for a period of five (5) years beginning February 1, 2017 and ending February 1, 2022. Future minimum base rent payments are as follows:

<u>Period Ending June 30</u>	<u>Amount</u>
2018	32,136
2019	32,136
2020	32,136
2021	32,136
2022	<u>5,356</u>
	<u>\$ 133,900</u>

NOTE 6 – Subsequent Events

Subsequent events have been evaluated through November 15, 2017, which is the date the financial statements were available to be issued.

NOTE 7 – Pending Lawsuit

North Park Organization of Businesses, Inc. is one of the nonprofit organizations named as defendants in three lawsuits filed by San Diegans for Open Government (Plaintiff/Petitioner):

The first one was filed in 2014, an additional lawsuit was filed in 2015 which has been consolidated with the original 2014 lawsuit and is considered one lawsuit for which trial is scheduled for February 23, 2018.

On June 6, 2017, a second lawsuit was filed to challenge the most recent fiscal year which is nearly exactly the same as the 2014 case. The Municipal Defendants have filed a motion with the court to narrow this case down to a single lawsuit (similar to the first case). The Municipal Defendants also filed a motion to consolidate this lawsuit with the 2014 case as it involves exactly the same issues. Trial has not been currently set for this most current lawsuit.

On February 2017, San Diegans for Open Government filed a third lawsuit, petition for Writ of Mandate under the California Public Records Act and Other Laws. Trial is currently set for December 8, 2017.

The above lawsuits challenge 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. Municipal Defendants deny that the challenged assessments are taxes within the relevant definition and that public approval of them is required. The City is defending that issue and motion to determine that issue is set to be heard in January of 2018. An appeal by the losing party will likely follow the outcome of that motion.