

**NORTH PARK ORGANIZATION OF BUSINESSES, INC.**  
Financial Statements  
For The Year Ended June 30, 2018  
Independent Auditors' Report

**NORTH PARK ORGANIZATION OF BUSINESSES, INC.**  
Financial Statements  
June 30, 2018

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**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, 2018 and 2017, 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

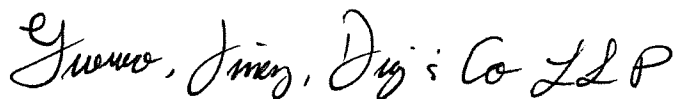
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Park Organization of Businesses, Inc. as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting 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. 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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  
December 10, 2018

**NORTH PARK ORGANIZATION OF BUSINESSES, INC.**

Statement of Financial Position  
For the Year Ended June 30, 2018 and 2017

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>Current Assets:</b>		
Cash	\$ 24,222	\$ 63,772
Accounts Receivable	136,050	58,468
Employee Advance	2,239	-
Prepaid Expenses	<u>22,612</u>	<u>7,543</u>
Total Current Assets	185,123	129,783
<b>Fixed Assets:</b>		
Equipment	15,291	11,291
Leasehold Improvements	-	-
Accumulated Depreciation	<u>(4,513)</u>	<u>(2,877)</u>
Fixed Assets (Net)	10,778	8,414
<b>Total Assets</b>	<u>\$ 195,901</u>	<u>\$ 138,197</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ -	\$ 303
Deferred Revenue	26,000	-
Grants Payable	<u>20,000</u>	<u>20,000</u>
Total Current Liabilities	46,000	20,303
<b>Long Term Liabilities</b>		
PBID Advance	<u>75,000</u>	<u>-</u>
<b>Total Liabilities</b>	121,000	20,303
<b>Net Assets</b>		
Unrestricted Net Assets	<u>74,901</u>	<u>117,894</u>
<b>Total Net Assets</b>	74,901	117,894
<b>Total Liabilities and Net Assets</b>	<u>\$ 195,901</u>	<u>\$ 138,197</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, 2018 and 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2017</u>
<b>Revenue:</b>				
Governmental Funding:				
BID Reimbursements	\$ 79,000	\$ -	\$ 79,000	\$ 79,000
PBID Reimbursements	157,472	-	157,472	-
Small Business Enhancement Program Grant	17,851	-	17,851	17,773
Government Grant Income	50,000	35,000	85,000	77,843
Net Assets Released from Restrictions	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
Total Governmental Funding	339,323	-	339,323	174,616
Other Revenue:				
Special Events	383,843	-	383,843	347,870
Program Income	44,087	-	44,087	46,386
Other Income	505	-	505	245
Interest Earned	31	-	31	53
Total Other Revenue	<u>428,466</u>	<u>-</u>	<u>428,466</u>	<u>394,554</u>
Total Revenue	767,789	-	767,789	569,170
<b>Expenses:</b>				
Program	647,608	-	647,608	486,191
General and Administrative	<u>163,174</u>	<u>-</u>	<u>163,174</u>	<u>108,172</u>
<b>Total Expenses</b>	<u>810,782</u>	<u>-</u>	<u>810,782</u>	<u>594,363</u>
<b>Increase/(Decrease) in Net Assets</b>	(42,993)	-	(42,993)	(25,193)
<b>Net Assets Beginning of Year</b>	117,894	-	117,894	143,087
<b>Net Assets End of Year</b>	<u>\$ 74,901</u>	<u>\$ -</u>	<u>\$ 74,901</u>	<u>\$ 117,894</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, 2018 and 2017

	Program	General & Administrative	Total	2017
Salaries & Wages	\$ 128,701	\$ 42,900	\$ 171,601	\$ 131,210
Payroll Taxes	11,001	3,667	14,668	11,631
Employee Benefits	15,962	5,321	21,282	18,596
Total Payroll & Related Expenses	<u>155,663</u>	<u>51,888</u>	<u>207,551</u>	<u>161,437</u>
 PBID Contract				
Salaries	32,867	10,956	43,823	-
Formation Costs	25,875	8,625	34,500	-
Administration	11,163	3,721	14,884	-
Improvement & Economic Dev.	6,788	2,263	9,051	-
Sanitation	38,411	12,804	51,214	-
Consultants	5,981	1,994	7,975	-
Other	677	226	903	-
 Accounting/Audit	32,133	10,711	42,844	31,938
Advertising/Marketing	8,189	2,730	10,919	8,476
Bank Fees	128	43	170	251
Depreciation	1,227	409	1,636	606
Dues/Subscriptions	1,669	556	2,225	1,950
Gain/Loss on Disposal of Assets	-	-	-	2,220
Grant Expenses	35,962	11,987	47,949	42,874
Hospitality	822	274	1,096	1,630
Insurance	7,178	2,393	9,570	8,468
Internet	513	171	684	711
Legal Fees	-	-	-	1,000
Moving Expense	-	-	-	13,723
Payroll Processing Fees	1,451	484	1,934	1,455
Phone/Fax	2,667	889	3,556	2,533
Postage	191	64	254	384
Rent	29,849	9,950	39,799	32,224
Repairs & Maintenance	122	41	162	125
Special Projects/Events	237,127	26,347	263,474	269,456
Supplies	7,226	2,409	9,634	5,728
Taxes & Licenses	8	3	10	10
Travel	177	59	236	62
Utilities	1,918	639	2,557	2,839
Workshops	1,629	543	2,172	4,263
 Total Expenses	<u>\$ 647,608</u>	<u>\$ 163,174</u>	<u>\$ 810,782</u>	<u>\$ 594,363</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, 2018 and 2017

	2018	2017
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ (42,993)	\$ (25,193)
Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,636	606
(Increase)/Decrease in Accounts Receivable	(77,582)	10,119
(Increase)/Decrease in Prepaid Expenses	(15,069)	(1,775)
(Increase)/Decrease in Employee Advances	(2,239)	-
Increase/(Decrease) in Accounts Payable	(303)	224
Increase/(Decrease) Deferred Revenue	26,000	-
Increase/(Decrease) Advances	75,000	-
Total Adjustments	7,443	9,174
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(35,550)</b>	<b>(16,019)</b>
<b>Cash Flows from Investing Activities</b>		
Gain/loss on disposal of assets	-	2,220
Purchase of Auto & Equipment	(4,000)	(8,650)
<b>Cash Flows from Financing Activities</b>	-	-
Net Increase/(Decrease) in Cash	(39,550)	(22,449)
Cash at Beginning of Period	63,772	86,221
Cash at End of Period	\$ 24,222	\$ 63,772

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



## **NORTH PARK ORGANIZATION OF BUSINESSES, INC.**

Notes to Financial Statements

June 30, 2018

### **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 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 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 Organization 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", Property Based Business Improvement District (PBID), 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>2018</u>	<u>2017</u>
City of San Diego Grants	\$ 16,352	\$52,843
Other	<u>119,698</u>	<u>5,625</u>
Total	<u>136,050</u>	<u>58,468</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 purpose of the PBID program is to provide sanitation, landscaping, maintenance, improvement and economic development for the North Park Business Improvement District. The City has approved this program in FY '18. The private donors will decide whether to donate these funds to the Organization or have the grants return to them during the fiscal year ending on June 30, 2019.

**NOTE 5 - Advance**

The City of San Diego advance the Organization \$75,000 for the PBID program to be used/expended in the next five years.

**NOTE 6 – 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, 2018 and ending February 1, 2022. Future minimum base rent payments are as follows:

<u>Period Ending June 30</u>	<u>Amount</u>
2019	32,136
2020	32,136
2021	32,136
2022	<u>5,356</u>
	<u>\$ 101,764</u>

**NOTE 7 – Deferred Revenue**

The \$26,000 represents income received for World Cup Soccer event which took place on July 15, 2018.

**NOTE 8 – Subsequent Events**

Subsequent events have been evaluated through December 10, 2018, which is the date the financial statements were available to be issued.

**NOTE 9 – 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.

On June 6, 2018, 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.

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. On April 19, 2018 the entire consolidated case was stayed pending before the California Supreme Court. As of October 19, 2018, the date the last status conference was held, this matter is still stayed, pursuant to the Court's agreement to stay the matter. The next status conference is scheduled for January 18, 2019.