

**NORTH PARK ORGANIZATION OF BUSINESSES, INC.**  
Financial Statements  
For The Year Ended June 30, 2019  
Independent Auditors' Report

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Financial Statements  
June 30, 2019

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## **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, 2019 and 2018, 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.

## **Report on Supplementary Information**

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. 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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  
January 7, 2020

**NORTH PARK ORGANIZATION OF BUSINESSES, INC.**  
Statement of Financial Position  
For the Year Ended June 30, 2019 and 2018

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>		
Cash	\$ 84,563	\$ 24,222
Accounts Receivable	37,526	136,050
Employee Advance	4,439	2,239
Prepaid Expenses	-	<u>22,612</u>
Total Current Assets	<u>126,528</u>	<u>185,123</u>
<b>Fixed Assets:</b>		
Equipment	15,261	15,291
Accumulated Depreciation	<u>(6,518)</u>	<u>(4,513)</u>
Fixed Assets (Net)	8,743	10,778
 Other Assets	 129	 -
<b>Total Assets</b>	<b><u>\$ 135,400</u></b>	<b><u>\$ 195,901</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 14,625	\$ -
Deferred Revenue	-	26,000
Payroll Liability	2,239	-
Grants Payable	15,000	20,000
Credit Cards	<u>294</u>	<u>-</u>
Total Current Liabilities	32,158	46,000
<b>Long Term Liabilities</b>		
PBID Advance	<u>75,000</u>	<u>75,000</u>
<b>Total Liabilities</b>	107,158	121,000
<b>Net Assets</b>		
With Donor Restrictions	14,658	-
Without Donor Restrictions - Undesignated	<u>13,585</u>	<u>74,901</u>
<b>Total Net Assets</b>	28,243	74,901
 <b>Total Liabilities and Net Assets</b>	 <b><u>\$ 135,400</u></b>	 <b><u>\$ 195,901</u></b>

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, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total	2018
<b>Revenue:</b>				
Governmental Funding:				
BID Reimbursements	\$ 84,376	\$ -	\$ 84,376	\$ 79,000
PBID Reimbursements	303,409	-	303,409	157,472
Small Business Enhancement Program Grant	17,853	-	17,853	17,851
Government Grant Income	56,632	20,000	76,632	85,000
Net Assets Released from Restrictions	5,342	(5,342)	-	-
Total Governmental Funding	<u>467,612</u>	<u>14,658</u>	<u>482,270</u>	<u>339,323</u>
Other Revenue:				
Special Events	362,394	-	362,394	383,843
Program Income	78,379	-	78,379	44,087
Other Income	8,989	-	8,989	505
Interest Earned	29	-	29	31
Total Other Revenue	<u>449,792</u>	<u>-</u>	<u>449,792</u>	<u>428,466</u>
Total Revenue	917,404	14,658	932,062	767,789
<b>Expenses:</b>				
Program	782,190	-	782,190	647,608
General and Administrative	196,530	-	196,530	163,174
<b>Total Expenses</b>	<u>978,719</u>	<u>-</u>	<u>978,719</u>	<u>810,782</u>
<b>Increase/(Decrease) in Net Assets</b>	(61,316)	14,658	(46,658)	(42,993)
<b>Net Assets Beginning of Year</b>	74,901	-	74,901	117,894
<b>Net Assets End of Year</b>	<u>\$ 13,585</u>	<u>\$ 14,658</u>	<u>\$ 28,243</u>	<u>\$ 74,901</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, 2019 and 2018

	Program	General & Administrative	Total	2018
Salaries & Wages	\$ 168,007	\$ 56,002	\$ 224,009	\$ 171,601
Payroll Taxes	15,344	5,115	20,459	14,668
Employee Benefits	23,577	7,859	31,436	21,282
Total Payroll & Related Expenses	<u>206,929</u>	<u>68,976</u>	<u>275,905</u>	<u>207,551</u>
 PBID Contract				
Salaries	10,438	3,479	13,917	43,823
Formation Costs	-	-	-	34,500
Administration	27,158	9,053	36,210	14,884
Improvement & Economic Dev.	44,690	14,897	59,587	9,051
Sanitation	63,135	21,045	84,180	51,214
Consultants	-	-	-	7,975
Other	4,510	1,503	6,013	903
 Accounting/Audit	34,598	11,533	46,131	42,844
Advertising/Marketing	6,384	2,128	8,511	10,919
Bank Fees	146	49	195	170
Depreciation	1,526	509	2,035	1,636
Dues/Subscriptions	933	311	1,244	2,225
Grant Expenses	34,484	11,495	45,979	47,949
Hospitality	677	226	902	1,096
Insurance	9,414	3,138	12,552	9,570
Internet	470	157	627	684
Legal Fees	750	250	1,000	-
Payroll Processing Fees	1,249	416	1,665	1,934
Phone/Fax	2,442	814	3,255	3,556
Postage	275	92	367	254
Rent	30,260	10,087	40,347	39,799
Repairs & Maintenance	142	47	189	162
Special Projects/Events	288,901	32,100	321,002	263,474
Supplies	4,721	1,574	6,295	9,634
Taxes & Licenses	8	3	10	10
Travel	218	73	291	236
Utilities	2,832	944	3,777	2,557
Workshops	4,899	1,633	6,532	2,172
 Total Expenses	<u>\$ 782,190</u>	<u>\$ 196,530</u>	<u>\$ 978,719</u>	<u>\$ 810,782</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ (46,658)	\$ (42,993)
Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	2,035	1,636
(Increase)/Decrease in Accounts Receivable	98,524	(77,582)
(Increase)/Decrease in Prepaid Expenses	22,612	(15,069)
(Increase)/Decrease in Other Assets	(129)	
(Increase)/Decrease in Employee Advances	(2,201)	(2,239)
Increase/(Decrease) in Accounts Payable	9,625	(303)
Increase/(Decrease) Deferred Revenue	(26,000)	26,000
Increase/(Decrease) Payroll Liabilities	2,239	-
Increase/(Decrease) Advances	-	75,000
Increase/(Decrease) Credit Cards	294	
 Total Adjustments	 <u>106,999</u>	 <u>7,443</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>60,341</u></b>	<b><u>(35,550)</u></b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Auto	-	(4,000)
<b>Cash Flows from Financing Activities</b>	-	-
 Net Increase/(Decrease) in Cash	 <u>60,341</u>	 <u>(39,550)</u>
Cash at Beginning of Period	<u>24,222</u>	<u>63,772</u>
Cash at End of Period	<u>\$ 84,563</u>	<u>\$ 24,222</u>

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



**NORTH PARK ORGANIZATION OF BUSINESSES, INC.**  
Notes to Financial Statements  
June 30, 2019

**NOTE 1 - Summary of Significant Accounting Policies**

**Nature of Business**

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.

**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.

**Method of Accounting**

The financial statements of the Organization are prepared on the accrual basis of accounting.

**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.

**Basis of Presentation**

The financial statements of the organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according for the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activity.

### **Measure of Operations**

The statement of activity reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

### **Revenue Recognition**

North Park Organization of Businesses is funded principally through the administration of contracts and grants with the City and County of San Diego (special assessment districts BID, PBID,EDTS, etc.). Additional funds are generated from special projects and special events.

### **Functional Allocation of Expenses**

The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of programs or supporting service.

### **New Accounting Pronouncement**

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU amends the current nonprofit reporting model and enhances nonprofit organizations required disclosures. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

### **Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through January 7, 2020, which is the date the financial statements are available for issuance and concluded that there were no events or transactions that needed to be disclosed.

**NOTE 2 - 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>2019</u>	<u>2018</u>
Government Grants	\$ 3,000	\$16,352
Government Reimbursements	34,526	94,802
Other	-	24,896
Total	<u>37,526</u>	<u>136,050</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 and \$5,000 was repaid. The private donors will decide whether to donate the remaining fund to the Organization or have the grant return to them during the fiscal year ending on June 30, 2020.

**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>
2020	32,136
2021	32,136
2022	5,356
	<u>\$ 69,628</u>

**NOTE 7 – Liquidity and Availability of Resources**

The Organization's financial assets available for general expenditure, that is without donor restrictions limiting their use within one year of the statement of position date, are as follows:

Cash and cash equivalents	\$ 84,563
Accounts Receivable	<u>37,526</u>
Total financial assets available within one year	<u>122,089</u>
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	-
Amounts unavailable to management without Board of Directors approval:	-
Total financial assets available to management for General expenditure within one year	<u>\$ 122,089</u>

The Organization maintains policies of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 8 – Net Assets Without Donor Restrictions**

The Organization has undesignated Net Assets without donor restrictions of \$13,585 at June 30, 2019.

**NOTE 9 – Net Assets With Donor Restrictions**

County of San Diego grant of \$14,658 is restricted for the Farmer’s Market lighting expenditure at June 30, 2019.

**NOTE 10 – Net Assets Released from Restriction**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the events specified by donors. County of San Diego grant in the amount of \$5,342 were released for the Farmer’s Market lighting expenditure.

**NOTE 11 – Financial Strategy**

The Organization acknowledges a negative change in net assets of \$46,658 and \$42,993 for fiscal year 2019 and 2018 respectively. The loss resulted primarily in the low special events turnout due to weather and increase in Special Events expenses incurred. Management explained that the Organization had initiated changes and procedures to address such losses going forward such as getting new sources of funding and reducing expenses. The Organization plans to enlarge on their success in attracting significant support from other foundations and government funding.

**NOTE 12 – 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.

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 February 2018, San Diegans for Open Government filed a third lawsuit, petition for Writ of Mandate under the California Public Records Act and Other Laws. On April 19, 2019 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. A status conference in the case will be scheduled for May 8, 2020.