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NORTH PARK ORGANIZATION OF BUSINESSES, INC. dba NORTH PARK MAIN STREET

AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020

CONTENTS	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7-11

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of North Park Organization of Businesses, Inc., dba North Park Main Street (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Park Organization of Businesses, Inc., dba North Park Main Street as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information from the June 30, 2019 Financial Statements

The financial statements of North Park Organization of Businesses, Inc., dba North Park Main Street as of June 30, 2019, were audited by other accountants and they expressed an unmodified opinion on those financial statements in their report dated January 7, 2020, but they have not performed any auditing procedures since that date. In my 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.



Andres D. Garcia, CPA

December 18, 2020

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(With Comparative Totals at June 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and Cash Equivalents	\$ 134,466	\$ 84,563
Accounts Receivable	53,104	37,526
Employee Advance	700	4,439
Total Current Assets	<u>188,270</u>	<u>126,528</u>
Equipment	15,261	15,261
Less: (Accumulated Depreciation)	<u>(8,554)</u>	<u>(6,518)</u>
Total Property & Equipment	<u>6,707</u>	<u>8,743</u>
Security Deposit	<u>129</u>	<u>129</u>
Total Other Assets	<u>129</u>	<u>129</u>
Total Assets	<u>\$ 195,106</u>	<u>\$ 135,400</u>
LIABILITIES:		
Accounts Payable	\$ 17,648	\$ 14,625
Payroll Liability	12,409	2,239
COVID Rent Deferral	4,626	-
Grants Payable	15,000	15,000
Credit Cards	283	293
Total Current Liabilities	<u>49,966</u>	<u>32,157</u>
PBID Advance	<u>75,000</u>	<u>75,000</u>
Total Liabilities	<u>\$ 124,966</u>	<u>\$ 107,157</u>
NET ASSETS:		
With Donor Restrictions	\$ 9,203	\$ 14,658
Without Donor Restrictions - Undesignated	<u>60,937</u>	<u>13,585</u>
Total Net Assets	<u>70,140</u>	<u>28,243</u>
Total Liabilities & Net Assets	<u>\$ 195,106</u>	<u>\$ 135,400</u>

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2019</u>
REVENUE:				
Governmental Funding:				
BID Reimbursements	\$ 84,474	\$ -	\$ 84,474	\$ 84,376
PBID Reimbursements	258,227	-	258,227	303,409
Small Business Enhancement Program Grant	22,878	-	22,878	17,853
Government Grant Income	54,000	23,000	77,000	76,632
Net Assets Released from Restrictions	28,455	(28,455)	-	-
Total Governmental Funding	<u>448,034</u>	<u>(5,455)</u>	<u>442,579</u>	<u>482,270</u>
Other Revenue:				
Special Events	255,021	-	255,021	362,394
Program Income	37,062	-	37,062	78,379
Other Income	9,460	-	9,460	8,989
Interest	33	-	33	29
Total Other Revenue	<u>301,576</u>	<u>-</u>	<u>301,576</u>	<u>449,791</u>
Total Revenue	749,610	(5,455)	744,155	932,061
EXPENSES:				
Program Services	546,509	-	546,509	782,190
General & Administrative	<u>155,748</u>	<u>-</u>	<u>155,748</u>	<u>196,529</u>
Total Expenses	<u>702,257</u>	<u>-</u>	<u>702,257</u>	<u>978,719</u>
Change in Net Assets	47,353	(5,455)	41,898	(46,658)
Net Assets, Beginning of Year	<u>13,584</u>	<u>14,658</u>	<u>28,242</u>	<u>74,901</u>
Net Assets, End of Year	<u>\$ 60,937</u>	<u>\$ 9,203</u>	<u>70,140</u>	<u>28,243</u>

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>Program Services</u>	<u>General & Administrative</u>	<u>2020 Total</u>	<u>2019 Total</u>
Salaries & Wages	\$ 158,188	\$ 52,729	\$ 210,917	\$ 224,009
Payroll Taxes	13,215	4,405	17,620	20,459
Employee Benefits	23,883	7,961	31,844	31,437
Total Payroll & Related Expenses	<u>195,286</u>	<u>65,095</u>	<u>260,381</u>	<u>275,905</u>
PBID Contract				
Salaries	-	-	-	13,917
Administration	11,771	3,923	15,694	36,210
Improvement & Economic Dev.	22,976	7,659	30,635	59,587
Sanitation	53,112	17,704	70,816	84,180
Other	542	181	723	6,013
Accounting/Audit	27,051	9,017	36,068	46,131
Advertising/Marketing	9,628	3,209	12,837	8,512
Bank Fees	5,578	1,859	7,437	195
Depreciation	1,527	509	2,036	2,035
Dues/Subscriptions	1,546	515	2,061	1,244
Grant Expenses	42,898	14,300	57,198	45,979
Hospitality	752	251	1,003	902
Insurance	8,354	2,784	11,138	12,552
Internet	26	9	35	627
Legal Fees	562	188	750	1,000
Miscellaneous	-	781	781	-
Payroll Processing Fees	1,820	607	2,427	1,665
Phone/Fax	1,567	522	2,089	3,255
Postage	268	89	357	367
Rent	30,598	10,199	40,797	40,347
Repairs & Maintenance	60	20	80	189
Special Projects/Events	122,407	13,601	136,008	321,002
Supplies	4,653	1,551	6,204	6,295
Taxes & Licenses	8	2	10	10
Travel	182	61	243	291
Utilities	3,337	1,112	4,449	3,777
Workshops	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,532</u>
Total Expenses	<u>\$ 546,509</u>	<u>\$ 155,748</u>	<u>\$ 702,257</u>	<u>\$ 978,719</u>

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 41,898	\$ (46,658)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,036	2,035
(Increase) / Decrease in:		
Accounts Receivable	(15,578)	98,524
Employee Advances	3,739	(2,201)
Prepaid Expenses	-	22,612
Security Deposit	-	(129)
Increase / (Decrease) in:		
Accounts Payable	3,022	9,625
COVID Rent Deferral	4,626	-
Deferred Revenue	-	(26,000)
Payroll Liabilities	10,170	2,239
Credit Cards	(10)	294
Net Cash Provided by Operating Activities	<u>49,903</u>	<u>60,341</u>
Net Increase in Cash & Cash Equivalents	49,903	60,341
Cash & Cash Equivalents, Beginning of Year	<u>84,563</u>	<u>24,222</u>
Cash & Cash Equivalents, End of Year	<u>\$ 134,466</u>	<u>\$ 84,563</u>

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Nature of Organization

North Park Organization of Businesses, Inc. dba North Park Main Street (the Organization) is a non-profit consortium of local businesses organized for the purpose of promoting, improving, and fostering business conditions in the City of San Diego in the 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.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The accompanying financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates: The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. These estimates and assumptions are based on information available as of the date of the financial statements; therefore, actual results could differ from these estimates and assumptions.

Fund Accounting: To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

The Organization also prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections, as amended by ASU 2016-14. The Organization uses the terms *Net Assets Without Donor Restrictions* and *Net Assets With Donor Restrictions* to describe the two required net asset classes.

Net Assets Without Donor Restrictions: net assets 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 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 activities.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 2. Summary of Significant Accounting Policies, continued

Measure of Operations: The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing programs. Non-operating 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: The Organization 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.

Cash and Cash Equivalents: The Organization has defined cash and cash equivalents as cash in banks and certificates of deposits with an initial maturity of three months or less.

Accounts Receivable: 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. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of June 30, 2020 and 2019.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. 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.

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$2,036 and \$2,035, respectively.

Donated Materials and Services: Donated materials and services are recognized as contributions if the materials or services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

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.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 3. Income Tax Status

The Organization is a California Not-For-Profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(6) and California State Tax Code 23701(e), respectively.

U.S. generally accepted accounting principles require Organization management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken uncertain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. Management has analyzed tax positions taken by the Organization and has concluded that, as of June 30, 2020 and 2019, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or that would require disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions. However, currently no audits for any tax periods are in progress.

Note 4. Commitments and Contingencies

Contracts: The Organization's contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provisions for the possible disallowance of program costs on its financial statements.

Obligations Under Operating Leases: The Organization moved to a new location at 3939 Iowa Street, Suite 2, San Diego, CA 92104 and entered into a lease agreement for a period of five (5) years beginning February 1, 2017 and ending January 31, 2022. Total lease payments under this lease amounted to \$33,498 and \$33,439, respectively, in the years ended June 30, 2020 and 2019.

Future minimum lease payments, by year and in the aggregate, under this lease consist of the following:

<u>Years ending June 30:</u>	
2021	\$ 34,964
2022	<u>20,688</u>
	<u>\$ 55,652</u>

Note 5. PBID Advance

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

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 6. Grants Payable

During the fiscal year ending June 30, 2014, the Organization received \$20,000 in 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 approved this program in fiscal year ending June 30, 2018 and \$5,000 was repaid. The private donors will decide whether to donate the remaining fund of \$15,000 to the Organization or have the grant returned to them during the fiscal year ending June 30, 2021.

Note 7. Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows are relatively consistent throughout the year due to monthly assessments from BID and SBEP programs, and a weekly Farmers Market. For months in which special events occur the Organization receives grants and sponsorships for the events corresponding to the timing of the event. To manage liquidity the Organization maintains adequate cash balances.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>06/30/2020</u>
Cash and Cash Equivalents	\$ 134,466
Accounts Receivable	<u>53,104</u>
Financial assets at year-end	187,570
Less those unavailable for general expenditures within one year:	
County of San Diego Grant Restricted for a Power Washer	<u>9,203</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 178,367</u>

Note 8. 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 lawsuit 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 with 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.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 8. Pending Lawsuit, continued

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 this 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 16, 2020, the date of the last status conference was held; this matter is still stayed, pursuant to the Court's agreement to stay the matter.

Note 9. Subsequent Events

The management of the Organization have reviewed the results of operations and evaluated subsequent events for the period of time from its year end June 30, 2020 through December 18, 2020, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

COVID-19:

Since June 30, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Organization has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.