

# ADG CPA

## COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2017 and 2016

CONTENTS	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES -2017	5
STATEMENT OF FUNCTIONAL EXPENSES -2016	6
STATEMENTS OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8-11

# ADG CPA

To the Board of Directors of  
**College Area Economic Development Corporation**

I have audited the accompanying financial statements of College Area Economic Development Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years 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 of 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 College Area Economic Development Corporation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Andres D. Garcia, CPA  
July 12, 2017

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 108,483	\$ 4,131
Accounts Receivable	28,095	48,595
Prepaid Expenses	8,734	3,270
Total Current Assets	<u>145,312</u>	<u>55,996</u>
<b>TOTAL ASSETS</b>	<u>\$ 145,312</u>	<u>\$ 55,996</u>
 <b>LIABILITIES:</b>		
Accounts Payable	\$ -	\$ 165
Accrued Vacation	3,546	3,546
Deferred Revenue	2,500	1,444
MAD Advance	100,000	-
Total Current Liabilities	<u>106,046</u>	<u>5,155</u>
<b>TOTAL LIABILITIES</b>	<u>106,046</u>	<u>5,155</u>
 <b>NET ASSETS:</b>		
Unrestricted	<u>39,266</u>	<u>50,841</u>
<b>TOTAL NET ASSETS</b>	<u>39,266</u>	<u>50,841</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 145,312</u>	<u>\$ 55,996</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>REVENUE AND SUPPORT</b>		
Government Funding		
City of San Diego - Maintenance Assessment District	\$ 352,494	\$ 352,347
City of San Diego - Business Improvement District	58,761	65,212
City of San Diego - Small Business Enhancement Program	28,532	26,524
City and County Grants - Boo Parade	10,000	18,000
City and County Grants - General	-	2,662
Total Government Funding	449,787	464,745
Boo Parade - Excluding Government Grants	26,240	32,725
In Kind Contribution of Facilities	25,500	25,500
College Area Taste	-	2,714
Bank Assessments	3,300	3,300
PROW, Mixer Admission, & Associate Supporter Dues	8,430	1,350
Other Income	1,443	2,000
Insurance Dividend	260	112
<b>TOTAL REVENUE AND SUPPORT</b>	514,960	532,446
<b>EXPENSES</b>		
Program Expenses	507,613	500,949
General & Administrative Expenses	18,922	22,916
<b>TOTAL EXPENSES</b>	526,535	523,865
<b>CHANGE IN NET ASSETS</b>	(11,575)	8,581
<b>NETS ASSETS, BEGINNING OF YEAR</b>	50,841	42,260
<b>NET ASSETS, END OF YEAR</b>	\$ 39,266	\$ 50,841

The Accompanying Notes are an Integral Part of the Financial Statements



**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services	General & Administrative	
	<u>          </u>	<u>          </u>	<u>          </u>
Payroll & Related			
Salaries & Wages	\$ 77,943	\$ 10,629	\$ 88,572
Employee Benefits	9,378	1,279	10,657
Payroll Taxes	6,950	948	7,898
Total Payroll & Related	<u>94,271</u>	<u>12,856</u>	<u>107,127</u>
Maintenance & Service Contractors	269,996	-	269,996
Boo Parade Expenses	44,259	-	44,259
Rent	25,501	3,478	28,979
Event Expenses: CAFÉ, Rolando, etc.	37,802	646	38,448
Contingency Reserve	1,320	-	1,320
Insurance	4,532	-	4,532
Board, Staff & Mixer Expenses	2,170	1,079	3,249
Utilities	7,151	-	7,151
Accounting & Audit	4,200	-	4,200
Telephone	3,232	-	3,232
Printing	4,918	500	5,418
Office Equipment & Supplies	4,745	-	4,745
Postage	1,563	-	1,563
Bad Debt	-	200	200
Repair & Janitorial	1,268	-	1,268
Contributions	-	100	100
Dues & Subscriptions	650	-	650
Merchant Fees	35	63	98
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Expenses</b>	<u>\$ 507,613</u>	<u>\$ 18,922</u>	<u>\$ 526,535</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u></u>
Payroll & Related			
Salaries & Wages	\$ 74,770	\$ 12,493	\$ 87,263
Employee Benefits	6,712	1,093	7,805
Payroll Taxes	9,210	1,499	10,709
Total Payroll & Related	<u>90,692</u>	<u>15,085</u>	<u>105,777</u>
Maintenance & Service Contractors	279,123	-	279,123
Boo Parade Expenses	50,608	-	50,608
Rent	25,128	4,091	29,219
Event Expenses: CAFÉ, Rolando, etc.	12,728	-	12,728
Contingency Reserve	8,012	-	8,012
Insurance	7,017	-	7,017
Board, Staff & Mixer Expenses	4,898	1,840	6,738
Utilities	5,970	-	5,970
Accounting & Audit	4,000	-	4,000
Telephone	3,622	-	3,622
Printing	2,701	-	2,701
Office Supplies	2,386	-	2,386
Legal	1,785	-	1,785
Postage	1,600	-	1,600
Promotional	-	1,000	1,000
Contributions	-	700	700
Dues & Subscriptions	625	-	625
Merchant Fees	36	200	236
Auto & Transportation Expenses	18	-	18
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Expenses</b>	<b>\$ 500,949</b>	<b>\$ 22,916</b>	<b>\$ 523,865</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (11,575)	\$ 8,581
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable	20,500	(11,815)
Prepaid Expenses	(5,464)	(270)
Increase (Decrease) in:		
Accounts Payable	(165)	165
Accrued Vacation	-	(702)
Deferred Revenue	1,056	(3,133)
MAD Advance	100,000	(68,546)
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>104,352</u>	<u>(75,720)</u>
<b>Increase (Decrease) in Cash</b>	104,352	(75,720)
<b>Cash &amp; Cash Equivalents, Beginning of Period</b>	<u>4,131</u>	<u>79,851</u>
<b>Cash &amp; Cash Equivalents, End of Period</b>	<u>\$ 108,483</u>	<u>\$ 4,131</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 and 2016**

**Note 1.      Nature of Organization**

College Area Economic Development Corporation (the "Organization") is a nonprofit corporation organized pursuant to City Ordinance 18263 which established and defined a parking and business improvement area known as the College Area Business Improvement District under the provisions of the Parking and Business Improvement Area Law of the State of California and enabling ordinances of the City of San Diego for the purpose of promoting events and fostering business/economic development in the City of San Diego area commonly known as the College Area of San Diego.

The Organization's activities include promotion, economic development, organization via newsletter and directory, design, Small Business Enhancement Program Funds, and promotional materials. In addition, the Organization is responsible for ensuring maintenance including litter control, illegal dump removal, graffiti control, sidewalk safety hazard monitoring, lighting service, tree maintenance, and security.

**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 accounts receivable, payable and other liabilities.

*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. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets* – Net assets not subject to donor-imposed restrictions or stipulations as to purpose of use.

*Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of the Organization or the passage of time. The Organization does not have any temporarily restricted net assets as of June 30, 2017 and 2016.

*Permanently Restricted Net Assets* – Net assets that are subject to donor-imposed restrictions of investing the principal contribution in perpetuity and the investment income be used for the Organization's operations and programs. The Organization does not have any permanently restricted net assets as of June 30, 2017 and 2016.

*Cash and Cash Equivalents:* The Organization has defined cash and cash equivalents as cash in banks and money market accounts with an initial maturity of three months or less.



**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 and 2016**

**Note 2. Summary of Significant Accounting Policies, continued**

Accounts Receivable: Accounts receivables are receivables from cost-reimbursement contracts with the City of San Diego and other invoices to businesses in the district. 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, 2017 and 2016.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. The Organization has no capitalized assets as of June 30, 2017 and 2016, and therefore no depreciation expense for the years ended June 30, 2017 and 2016. 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.

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. The Organization did receive \$5,634 and \$9,050 of donated sponsorship materials in the years ending June 30, 2017 and 2016, respectively, related to the Boo Parade. These amounts met the criteria for recognition and are recognized as Boo Parade revenue and expenses in the financial statements.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Concentration of Credit Risks: The primary receivable balance outstanding at June 30, 2017 and 2016 consists of governmental contract receivables due from the City of San Diego. Concentration of credit risks with respect to trade receivables are limited, as the majority of the Organization's receivables consist of earned fees from reimbursement-contracts granted by the City of San Diego. Management has determined that all balances are collectible.

Revenues: The Organization is funded principally by the City of San Diego through the Business Improvement District (BID), the Maintenance Assessment District (MAD), Small Business Enhancement Program Management Grant (SBEP), Transient Occupancy Tax (TOT) and grants. In addition, the Organization holds special events to promote the business environment in the area and also generates income from other programs.

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 and 2016**

**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)(3) and California State Tax Code 23701(d), respectively, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

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, 2017, there are not 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. Accounts Receivable**

The balance of accounts receivable of \$28,095 and \$48,595 as of June 30, 2017 and 2016, respectively, represent unpaid claims submitted to the City of San Diego for expenditures incurred through June 30, 2017 and 2016 and other receivables to businesses within the district as follows:

	<u>2017</u>	<u>2016</u>
City of San Diego – MAD	\$ 21,930	\$ 36,595
Other Receivables	6,165	4,000
Grant Receivable	-	8,000
	<u>\$ 28,095</u>	<u>\$ 48,595</u>

**Note 5. MAD - Advance and Deferred Revenue**

The contracts that the Organization maintains with the City of San Diego are all reimbursement contracts. To allow the Organization to operate efficiently, the City of San Diego provided an advance of MAD funds. The balance of this advance was \$100,000 at June 30, 2017 and \$0 at June 30, 2016.

Deferred revenue at June 30, 2017 consists of a 2017 Boo Parade Sponsorship of \$2,500.

Deferred revenue at June 30, 2016 consists of City of San Diego BID contract revenue of \$1,444. This amount represents amounts paid by the Organization that are for eligible for reimbursement in the subsequent fiscal year.

**COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 and 2016**

**Note 6.        Commitments and Contingencies**

The Organization's grants and 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. Management has submitted all reports required by funding agencies and is not aware of the existence of any potential disallowances.

**Note 7.        Lease Agreement and Contribution of Facilities**

The Organization leases its office space from the City of San Diego through a Right of Entry Permit (Permit). The Permit was for three years and expired on December 31, 2009. The City and the Organization agreed to a month to month lease, that either party can terminate at any time with a 60 day advance written notice. The rent amount remained the same: \$1 per year plus a monthly administrative fee of \$291.67.

The facility has an estimated area of 1,470 square feet and an estimated rent value of \$2,400 per month for the years ending June 30, 2017 and 2016; the difference between the estimated value and the actual payment is reflected in the financial statements as an In Kind Contribution of Facilities and is included in Rent Expense.

**Note 8.        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, 2017 through July 12, 2017, 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.