

GASLAMP QUARTER ASSOCIATION
Financial Statements
For the Year Ended June 30, 2019
And
Independent Auditors' Report

GASLAMP QUARTER ASSOCIATION
Financial Statements
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gaslamp Quarter Association

We have audited the accompanying financial statements of Gaslamp Quarter Association (a Non-Profit Association), which comprise of the statement of financial position as of June 30, 2019, and the related statement of activities and statement of cash flows for the year 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 Gaslamp Quarter Association as of June 30, 2019, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Guerrero, Jimenez, Diaz & Co LLP

Guerrero, Jimenez, Diaz & Co LLP
Certified Public Accountants

San Diego, California
July 21, 2020

GASLAMP QUARTER ASSOCIATION
Statement of Financial Position
June 30, 2019

ASSETS

Current Assets:

Cash & Cash Equivalents	\$	196,113
Accounts Receivable		94,732
Loan Receivable		32,464
Prepaid Expenses		2,581
Total Current Assets		325,890

Fixed Assets

Office Furniture		21,398
Accumulated Depreciation		(21,398)
Net Fixed Assets		-

Total Assets	\$	325,890
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LIABILITIES AND NET ASSETS

Liabilities

Deferred Revenue	\$	37
Income Tax Payable		30,000
Total Liabilities		30,037

Net Assets

Without Donor Restrictions - Undesignated		295,853
Total Net Assets		295,853

Total Liabilities and Net Assets	\$	325,890
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The accompanying notes are an integral part of these financial statements.

GASLAMP QUARTER ASSOCIATION

Statement of Activities

For the Year Ended June 30, 2019

CHANGES IN UNRESTRICTED NET ASSETS:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Governmental Funding:			
B.I.D.	\$ 75,709	\$ -	\$ 75,709
S.B.E.P. Management Grant	22,289		22,289
Parking District Grant	452,996		452,996
Tech. Asst./Accounting Grant	5,000		5,000
Total Government Funding	<u>555,994</u>	<u>-</u>	<u>555,994</u>
Special Events:			
Ticket Revenue	144,407		144,407
Product Sales/Auction	3,202		3,202
Vendor/Sponsor	136,625		136,625
Total Special Events	<u>284,234</u>	<u>-</u>	<u>284,234</u>
Other Revenue:			
Holiday Lighting / Banner (net)	57,713		57,713
Kiosk Advertising	8,500		8,500
Web Advertising	154,225		154,225
Public Pay Phone	1,663		1,663
Associated Membership	23,001		23,001
Sunday Market	73,157		73,157
Other Income	8,022		8,022
Total Other Revenue	<u>326,281</u>	<u>-</u>	<u>326,281</u>
Total Revenue	<u>1,166,509</u>	<u>-</u>	<u>1,166,509</u>
Operating Expenses:			
Program	985,938		985,938
General & Administrative	186,711		186,711
Total Operating Expenses	<u>1,172,649</u>	<u>-</u>	<u>1,172,649</u>
Increase/(Decrease) in Net Assets	(6,140)		(6,140)
Net Assets, Beginning of Year	<u>301,993</u>	<u>-</u>	<u>301,993</u>
Net Assets, End of Year	<u>\$ 295,853</u>	<u>-</u>	<u>\$ 295,853</u>

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

GASLAMP QUARTER ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows From Operating Activities:	
Increase/(Decrease) in Net Assets	\$ (6,140)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by Operating Activities:	
(Increase)/Decrease in Accounts Receivable	50,897
Increase/(Decrease) in Accounts Payable	(5,411)
(Increase)/Decrease in Prepaid Expenses	(2,581)
Increase/(Decrease) in Income Tax Payable	1,919
Decrease in Refundable Deposits Received	37
Total Adjustments	<u>44,861</u>
Net Cash Provided by Operating Activities	<u>38,721</u>
Cash Flows From Investing Activities	-
Cash Flows From Financing Activities	-
Net Increase/(Decrease) in Cash	<u>38,721</u>
Cash at Beginning of Period	<u>157,392</u>
Cash at End of Period	<u><u>\$ 196,113</u></u>

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

GASLAMP QUARTER ASSOCIATIONSchedule of Functional Expenses
For the Year-Ended June 30, 2019

	<u>Program</u>	<u>General & Administrative</u>	<u>Total</u>
Accounting	\$ 10,350	\$ 6,900	\$ 17,250
Bad Debt	9,383	6,255	15,638
Bank Fees	5,411	3,608	9,019
Commissions	18,098	12,065	30,163
Dues/Memberships	3,450	2,300	5,750
Employee Benefits	17,160	11,440	28,600
Equipment Rent/Repairs/Minor Equipment	3,834	2,556	6,390
Income Tax	21,232	14,154	35,386
Insurance	4,350	2,900	7,250
Marketing	235,798	-	235,798
Meetings & Workshops	2,838	-	2,838
Miscellaneous	887	591	1,478
Office Supplies/Expense	2,143	1,429	3,572
Payroll Taxes & Fees	12,970	8,647	21,617
Postage	1,729	1,152	2,881
Rent & Utilities	19,563	13,042	32,605
Salaries & Wages	147,386	98,257	245,643
Special Events	467,236	-	467,236
Telephone	2,121	1,414	3,535
Total Expenses	<u>\$ 985,938</u>	<u>\$ 186,711</u>	<u>\$1,172,649</u>

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

GASLAMP QUARTER ASSOCIATION

Notes to Financial Statements

June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies

Nature of Business

Gaslamp Quarter Association "the Association" is a nonprofit consortium of local businesses organized pursuant to City Ordinance 15647 which established and defined a parking and business improvement area known as the Gaslamp Quarter Association 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 and fostering business conditions in the City of San Diego area commonly known as the Gaslamp Quarter located in San Diego's 16 1/2 block National Historic District.

Basis of Presentation

The financial statements of the Association have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Association 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 Association. These net assets may be used at the discretion of the Association'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 Association 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 Association'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.

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 5 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.

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 Association 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 Associations 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 Association 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 Association 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 Association'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 Association has evaluated subsequent events through May 26, 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.

Income Taxes

The Association was organized as a non-profit Association under section 501(c)(6) of the Internal Revenue Code and similar California law, and is not subject to income taxes on related business income, however, it is subject to income taxes and unrelated business income (See Note 7).

The Financial Accounting Standards Board (FASB) issued Accounting Standards codification No. 740-10, Accounting for Uncertainties in Income Tax, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Association has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

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.

NOTE 2 – Cash & Cash Equivalents

Cash in Bank consists of the following:

Checking	\$ 100,925
Money Market	86,417
Certificate of Deposit	<u>8,771</u>
Total Cash & Cash Equivalents in Bank	<u>\$ 196,113</u>

NOTE 3 - Revenues

The Association is funded in part by the City of San Diego through a Business Improvement District (“BID”) and a Parking and Small Business Enhancement Program (“SBEP”) grants. For the BID, the City of San Diego receives the funds as a special assessment collected together with business licensing fees from businesses located within the District. In addition, the Association holds special fund raising events to promote the business environment in the area, and also generates income from advertising and public pay phones.

NOTE 4 - Accounts Receivable

The total balance in accounts receivable is comprised of:

Customers and members	\$30,613
SBEP Receivable	4,868
Parking District Grant	<u>59,251</u>
Total	<u>\$ 94,732</u>

NOTE 5 – Loan Receivable

In January 2017, the Gaslamp Quarter Association loaned \$32,464 to the Gaslamp Quarter Alliance, a 501(c)3, nonprofit corporation. The Gaslamp Quarter Alliance will repay the loan within a reasonable amount of time but not to exceed a 3-year term ending January 1, 2020. The Gaslamp Quarter Association will waive any interest on this loan on good faith for an agreement of repayment. The Association and Gaslamp Quarter Alliance has a Executive Director and one Board Member in common.

NOTE 6 – Lease Agreement

The facility at 614 Fifth Avenue, Suite F, San Diego, California 92101 lease was renewed on November 1, 2018 when the Association exercised the option to extend the term for a period of three years through October 31, 2021. At June 30, 2019, the monthly rent was \$2,550.

The monthly base rents during the extension term are as follows:

July 1, 2019 – June 30, 2020	\$31,000
July 1, 2020 – June 30, 2021	31,600
July 1, 2021 – October 31, 2021	<u>10,600</u>
	<u>\$73,200</u>

NOTE 7 – Income Tax

For the year ended June 30, 2019, the Association was subject to income tax on unrelated business income, as follows:

Current Year Provision:

Federal Income Tax	\$21,000
State Income Tax	<u>9,000</u>
	<u>\$30,000</u>

Adjustments to Prior Year Provision:	
Federal Income Tax	\$ 5,467
State Income Tax	<u>(81)</u>
	<u>\$ 5,386</u>
Tax Expense	<u>\$35,386</u>

NOTE 8 – Net Assets without Donor Restrictions

The Association has undesignated Net Assets without donor restrictions of \$295,853 at June 30, 2019.

NOTE 6 – Liquidity and Availability of Resources

The Association’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	\$196,113
Accounts Receivable	<u>94,729</u>
Total financial assets available within one year	<u>290,842</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>\$ 290,842</u>

NOTE 9 – Pending Lawsuit

Gaslamp Quarter Association of San Diego, Inc. is one of the nonprofit Associations 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.