

**GASLAMP QUARTER ASSOCIATION**  
Financial Statements  
For the Year Ended June 30, 2017  
And  
Independent Auditors' Report

**GASLAMP QUARTER ASSOCIATION**  
Financial Statements  
June 30, 2017

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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 Organization), which comprise of the statement of financial position as of June 30, 2017, 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, 2017, 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  
May 14, 2018

**GASLAMP QUARTER ASSOCIATION**  
Statement of Financial Position  
June 30, 2017

**ASSETS**

**Current Assets:**

|                               |    |         |
|-------------------------------|----|---------|
| Cash & Cash Equivalents       | \$ | 363,875 |
| Accounts Receivable           |    | 35,384  |
| Loan Receivable               |    | 32,000  |
| Income Tax Estimated Payments |    | 11,400  |
| Total Current Assets          |    | 442,659 |

**Fixed Assets**

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

|                     |           |                |
|---------------------|-----------|----------------|
| <b>Total Assets</b> | <b>\$</b> | <b>442,659</b> |
|---------------------|-----------|----------------|

**LIABILITIES AND NET ASSETS**

**Liabilities**

|                    |    |        |
|--------------------|----|--------|
| Accounts Payable   | \$ | 9,009  |
| Deferred Revenue   |    | 500    |
| Income Tax Payable |    | 12,600 |
| Total Liabilities  |    | 22,109 |

**Net Assets**

|                               |  |         |
|-------------------------------|--|---------|
| Unrestricted                  |  | 420,550 |
| Total Unrestricted Net Assets |  | 420,550 |

|   |           |                |
|---|-----------|----------------|
| <b>Total Liabilities and Net Assets</b> | <b>\$</b> | <b>442,659</b> |
|---|-----------|----------------|

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

**GASLAMP QUARTER ASSOCIATION**

Statement of Activities

For the Year Ended June 30, 2017

**CHANGES IN UNRESTRICTED NET ASSETS:**

**Revenue:**

|                                 |                |
|---------------------------------|----------------|
| Governmental Funding:           |                |
| B.I.D.                          | \$ 76,512      |
| S.B.E.P. Management Grant       | 16,623         |
| County Grant                    | 3,000          |
| Parking District Grant          | 128,413        |
| Tech. Asst./Accounting Grant    | 5,000          |
| Total Government Funding        | <u>229,548</u> |
| Special Events:                 |                |
| Ticket Revenue                  | 74,234         |
| Product Sales/Auction           | 3,328          |
| Vendor/Sponsor                  | 83,318         |
| Total Special Events            | <u>160,880</u> |
| Other Revenue:                  |                |
| Holiday Lighting / Banner (net) | 53,921         |
| Kiosk Advertising               | 26,375         |
| Web Advertising                 | 131,323        |
| Public Pay Phone                | 1,803          |
| Associated Membership           | 24,575         |
| Partnership/Shamrock            | 315            |
| Other Income                    | 30,689         |
| Total Other Revenue             | <u>269,001</u> |
| Total Revenue                   | <u>659,429</u> |

**Expenses:**

|   |                |
|---|----------------|
| Special Events & Programs:                |                |
| Special Events                            | 122,079        |
| Total Special Event Expenses              | <u>122,079</u> |
| General & Administrative:                 |                |
| Salaries & Wages                          | 230,088        |
| Employee Benefits                         | 13,987         |
| Payroll Taxes & Fees                      | 19,745         |
| Rent & Utilities                          | 31,489         |
| Dues/Memberships                          | 1,175          |
| Commissions                               | 1,191          |
| Accounting                                | 13,700         |
| Insurance - includes Workers Compensation | 8,909          |
| Postage                                   | 2,027          |
| Equipment Rent/Repairs/Minor Equipment    | 5,001          |
| Telephone                                 | 3,145          |
| Meetings & Workshops                      | 136            |
| Office Supplies/Expense                   | 3,277          |
| Marketing                                 | 193,648        |
| Bank Fees                                 | 2,167          |
| Income Tax                                | 15,917         |
| Total General & Administrative Expenses   | <u>545,602</u> |
| Total Expenses                            | <u>667,681</u> |

**Increase/(Decrease) in Net Assets** align="right">(8,252)

**Net Assets, Beginning of Year** align="right">428,802

**Net Assets, End of Year** align="right">\$ 420,550

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

**GASLAMP QUARTER ASSOCIATION**  
Statement of Cash Flows  
For the Year Ended June 30, 2017

|  |            |
|--|------------|
| <b>Cash Flows From Operating Activities:</b>   |            |
| Increase in Net Assets   | \$ (8,252) |
| Adjustments to Reconcile the Change in Net Assets<br>to Net Cash Provided by Operating Activities: |            |
| (Increase)/Decrease in Accounts Receivable   | 52,475     |
| (Increase)/Decrease in Loans Receivable  | (32,000)   |
| Increase/(Decrease) in Accounts Payable  | (427)      |
| (Increase)/Decrease in Income Tax Estimated Payments   | (5,232)    |
| (Increase)/Decrease in Employer Retirement Plan Payable  | (2,250)    |
| Increase/(Decrease) in Income Tax Payable  | (3,400)    |
| Total Adjustments  | 9,666      |
| <b>Net Cash Provided by Operating Activities</b>   | 1,414      |
| <b>Cash Flows From Investing Activities</b>  | -          |
| <b>Cash Flows From Financing Activities</b>  | -          |
| <b>Net Decrease in Cash</b>  | 1,414      |
| <b>Cash at Beginning of Period</b>   | 362,461    |
| <b>Cash at End of Period</b>   | \$ 363,875 |

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

## **GASLAMP QUARTER ASSOCIATION**

Notes to Financial Statements

June 30, 2017

### **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.

#### **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.

#### **Cash and Cash Equivalents**

Time deposits with maturity date of three or less months are considered to be cash equivalents.

#### **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.

#### **Income Taxes**

The Association was organized as a non-profit organization 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.

#### **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 of the Association has evaluated its tax position and related income tax contingencies. Management does not believe that any material uncertain tax



position exist. The Association 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 – Cash & Cash Equivalents**

Cash in Bank consists of the following:

|                                       |                  |
|---------------------------------------|------------------|
| Checking                              | \$193,764        |
| Money Market                          | 86,279           |
| Certificate of Deposit                | <u>83,832</u>    |
| Total Cash & Cash Equivalents in Bank | <u>\$363,875</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  | \$20,820         |
| Parking District Grant | <u>14,564</u>    |
| Total                  | <u>\$ 35,384</u> |

**NOTE 5 – Loan Receivable**

In January 2018, the Gaslamp Quarter Association loaned \$32,000 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.

**NOTE 6 – Lease Agreement**

The facility at 614 Fifth Avenue, Suite F, San Diego, California 92101 is under a three years lease that was renewed on November 1, 2012 and it expires on October 31, 2015. On October 1, 2015 the Association exercised the option to extend the term for a period of three years through October 31, 2018.

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

|                                     |         |
|-------------------------------------|---------|
| November 1, 2016 – October 31, 2017 | \$2,300 |
| November 1, 2017 – October 31, 2018 | \$2,350 |

## NOTE 7 – Income Tax

For the year ended June 30, 2017, the Association was subject to income tax on unrelated business income, as follows:

### Current Year Provision:

|                    |                 |
|--------------------|-----------------|
| Federal Income Tax | \$11,000        |
| State Income Tax   | <u>1,600</u>    |
|                    | <u>\$12,600</u> |

### Adjustments to Prior Year Provision:

|                    |                 |
|--------------------|-----------------|
| Federal Income Tax | \$ 2,202        |
| State Income Tax   | <u>1,115</u>    |
|                    | <u>\$ 3,317</u> |

Tax Expense \$15,917

## NOTE 8 – Pending Lawsuit

Gaslamp Quarter Association, 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, 2017, 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. An appeal by the losing party will likely follow the outcome of that motion.

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.

As of April 19, 2018, the court issued a stay on all the above lawsuits. The Association's attorney estimate that the stay will remain in effect for 1-2 years.

## NOTE 9 – Subsequent Events

Subsequent events have been evaluated through May 14, 2018, which is the date the financial statements were available to be issued.