

LITTLE ITALY ASSOCIATION
Financial Statements
For The Year Ended June 30, 2013
And
Independent Auditors' Report

LITTLE ITALY ASSOCIATION
Financial Statements
June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Little Italy Association

We have audited the accompanying statement of financial position of Little Italy Association (a public benefit Non-Profit Organization) as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based upon 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Italy Association as of June 30, 2013, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 8 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Guerrero, Jimenez, Diaz & Co LLP
Certified Public Accountants

San Diego, California
February 5, 2014

Little Italy Association
Statement of Financial Position
For the Year Ended June 30, 2013

ASSETS

Current Assets

Cash in Banks (note 2)	345,403
Investment (note 4)	9,768
Accounts Receivable (note 3)	107,899
Total Current Assets	463,070

Property & Equipment

Vehicles	41,826
Equipment	46,759
Leasehold Improvements	24,127
Less Accumulated Depreciation	(69,561)
Total Fixed Assets	43,151

Total Assets

506,221

LIABILITIES & NET ASSETS

Liabilities

Accounts Payable	20,109
Advance from the City of San Diego and Civic San Diego (note 5)	191,500
Current Portion of Notes Payable (note 7)	6,038
Total Current Liabilities	217,647

Long Term Liabilities

Notes Payable (note 7)	8,859
Total Long Term Liabilities	8,859

Total Liabilities

226,506

Net Assets

Unrestricted	279,715
Total Net Assets	279,715

Total Liabilities & Net Assets

506,221

See Accountant's accompanying notes and report.

Little Italy Association
Statement of Activities
For the Year Ended June 30, 2013

CHANGES IN UNRESTRICTED NET ASSETS:

Revenue

Assessment District and Public:

SBEP - (Public)	\$ 30,440
BID Reimbursement - (Assessment)	99,072
MAD Reimbursement - (Assessment)	628,957
Parking District Reimbursement - (Public)	384,487
City and County Grants for Festa Event - (Public)	50,779
City funding for Programs & Other Events - (Public)	10,378
Total Assessment District and Public	1,204,113

Non Assessment Non-Public Funding

Festa Event, Excluding Government Grants	92,421
Mercato	364,026
Other Events and Programs	239,516
Interest Income	106
Other Income	600

Total Revenue	1,900,782
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Expenses:

Program & Event Expenses	1,876,831
General & Administrative	65,591
Total Program, Event & General & Administrative Expenses	1,942,422

Decrease in Unrestricted Net Assets	(41,640)
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Net Assets, Beginning of Year	321,355
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Net Assets, End of Year	\$ 279,715
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See Accountant's accompanying notes and report.

Little Italy Association
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities:	
Decrease in Net Assets	\$ (41,640)
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	7,960
Increase in Accounts Receivable	(63,791)
Decrease in Accounts Payable	(9,705)
Increase in Advance from City	161,500
Total Adjustments	<u>95,964</u>
Net Cash Provided by Operating Activities	<u>54,324</u>
Cash Flows from Investing Activities	
Equipment purchase	(15,000)
Net Cash Used by Investing Activities	<u>(15,000)</u>
Cash Flows from Financing Activities	
Repayment of Loans	8,270
Net Cash used by Financing Activities	<u>8,270</u>
Net Increase/(Decrease) in Cash	47,594
Cash at Beginning of Period	<u>297,809</u>
Cash at End of Period	<u>\$ 345,403</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Payments	<u>\$ 428</u>

See Accountant's accompanying notes and report.

LITTLE ITALY ASSOCIATION
Notes to Financial Statements
June 30, 2013

NOTE 1 - Summary of Significant Accounting Policies

Nature of Organization

Little Italy Association (L.I.A.) (the Association) is a public benefit non-profit organization dedicated to improve, promote, and foster the Little Italy district a 48 block area located in west downtown San Diego, through programs, events and activities. The Organization was incorporated on December 3, 1998. It represents businesses in the area as well as property owners and residents, in the areas of public safety, beautification, promotion and economic development in the community.

Financial Statement Presentation

The Association has adopted the provisions of the FASB Accounting Standards Codification No.958 (ASC 958), "Not-For-Profit-Entities" (Formerly Statement of Financial Accounting Standards No. 116 and No. 117). ASC 958, establishes standards for general-purpose external financial statements provided by non-for-profit organizations, in order to enhance the relevance, understandability, and comparability of financial statements issued by those organizations. ASC 958 also requires that net assets and revenue, gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted, as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Association
- Temporarily restricted net assets consist of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Association 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 Association.

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 5 years.

Income tax status

The Association was organized as a non-profit organization under section 501 (c)(3) of the Internal Revenue Code and similar California law, and it is not subject to income taxes on related business income, however it is subject to income taxes on unrelated business income.

Revenues

Little Italy Association is funded principally through the administration of two contracts with the City of San Diego (special assessment districts BID and MAD), and the administration of one contract with the Civic San Diego (formerly Centre City Development Corp., a city government agency for the Community Parking District). Additional funds are generated from special projects and special events.

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 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.

NOTE 2 – Cash in Banks

Cash in banks are listed as follows:

Checking – B.I.D.	\$ 12,489
Checking – MAD	110,346
Savings Account	103,516
Checking	1,060
Checking – Mercato Account	1,557
Checking – Special Events	106,454
Checking – Payroll	2,220
Checking – Parking District	<u>7,761</u>
Total Cash in Banks	<u>345,403</u>

NOTE 3 – Accounts Receivable

The balance of accounts receivable is comprised of the following:

Parking District	\$54,742
MAD	52,557
Other	<u>600</u>
Total	<u>107,899</u>

NOTE 4 – Investment

The Association, in May 22, 2008, entered into a Fund Agreement with the San Diego Foundation (“SDF”) and transferred an amount of \$10,000 (“the funds”) to the SDF to create an agency endowment fund. Income from the invested funds will provide support to build upon the cultural heritage of Little Italy, beautify the neighborhood, maintain order, increase commerce and instill a sense of civic duty among its businesses, residents and property owners. The Association maintains control for the funds, and can request the SDF for the withdrawal of such funds.

The balance of this investment is \$9,768 as of June 30, 2013, net of income and expenses.

Note 5 – Advances from the City of San Diego

The Association has \$130,000 of funds on hand related to the MAD reimbursement request, that the Association will deduct from future MAD expense reimbursement requests.

The Association also received \$61,000 from Civic San Diego of Parking funds to meet current Parking related expenses, that were not expended and will be deducted from future Parking expense reimbursement request.

Note 6 – Lease Agreement

On September 1, 2011 the Association entered into a sublease agreement for a term of five years ending August 31, 2016, of office space with the Wosk Trust and master leaseholder tenant New City America (related party, see note 10) as the sub-lessor, for premises located at 710 West Ivy Street and 2210 Columbia Street, San Diego, California, 92101.

The rent relationship to New City America is a master lease – sublease relationship for above mentioned office space as well for the adjacent parking lot and basement. The master lease – sublease arrangement was a condition of the master lease by the landlord.

The sublease agreement stipulates that the Association will pay 43% of the base rent and other items such as property taxes, utilities per the Master Lease. The current monthly rent paid to New City America is \$1,207.90. The sub-lease term is for five years ending on August 31, 2016.

NOTE 7 – Notes Payable

Note payable to California Bank and Trust with a 48 monthly installments of \$294 of principal and interest, through July 10, 2013; with an interest rate of 8.02%. Proceeds used to purchase a 2006 Ford pick-up.

\$ 590

Note payable to City National Bank with a 36 monthly installments Of \$452.94 of principal and interest, through February 1, 2016; with an interest rate of 5.5%. Proceeds used to purchase a cleaning machine.

13,676

Note payable to US Bank with 60 monthly installments of \$212 of principal and interest, through September 23, 2013; with an interest rate of 7.75%. Proceeds used to purchase a 2007 Ford pick-up.

632

Total notes payable as of June 30, 2013

14,898

Less current portion as of June 30, 2013

6,038

Long-term portion as of June 30, 2013

\$ 8,859

NOTE 8 – Commitment

Pursuant to a Request for Proposal the Board of the Association renewed on July 1, 2012 the contract with New City America, Inc. for an additional three years, to administer the Association's assessment districts, community parking program, special projects and special events through June 30, 2015. The contract stipulates that the annual payments to New City America will range between \$335,000 and \$385,000 for its services of administering the BID, MAD and Community Parking contracts and other Association's activities. Also see note 6 – lease agreement and note 9 – related parties.

NOTE 9 – Related Parties

The Association, during the year June 30, 2013 paid New City America Inc. \$152,616 to administer the BID contract and all other Association's activities (non-Mad, non-parking, and non-Festa), \$116,582 to administer the MAD contract, \$62,528 to administer the Community Parking Program, \$14,495 for lease of space (see note 6). The Association's Chief Executive Administrator is also the President and owner of New City America, Inc.

LITTLE ITALY ASSOCIATION
Statement of Functional Expenses
For the Year Ended June 30, 2013

	<u>PROGRAM & EVENTS</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>TOTAL</u>
Administration of MAD Contract	\$ 132,768	\$ 23,430	\$ 156,198
Administration of BID Contract and Association's Activities	96,050	16,950	113,000
 Personnel Costs for MAD employees:			
Salaries	502,387		502,387
Bonuses	4,000		4,000
Workers' Compensation Insurance	58,354		58,354
Medical & Dental Benefits	46,598		46,598
Payroll Taxes & Processing Fees	60,814		60,814
Transportation Allowance	1,600		1,600
 Event/Program Expenses			
Festa	50,748		50,748
Mercato	288,239		288,239
Parking	151,352		151,352
Other	68,383		68,383
Auto Expenses	40,431		40,431
Bank Charges	2,714		2,714
Banner Expense	1,981		1,981
Cleaning and Janitorial Supplies	36,001		36,001
Depreciation	7,960		7,960
Donations	2,369		2,369
Dues & Subscriptions	1,696		1,696
Dumpster Services	14,101		14,101
Equipment	5,396		5,396
Equipment Rental	16,043		16,043
Insurance	19,673		19,673
Interest Expense	428		428
Licenses, Permits & Taxes	-	14,498	14,498
Marketing & Promotion	47,418		47,418
Miscellaneous	4,492	793	5,285
Nursery Supplies & Tree Maintenance	13,513		13,513
Office Supplies	6,031		6,031
Postage & Printing	7,570	1,336	8,906
Professional Services	58,737		58,737
Rent	24,786	4,374	29,160
Special Projects	30,268		30,268
Storage	18,679		18,679
Street Cleaning & Beautification	20,790		20,790
Taxes	636		636
Telephone	9,168	1,618	10,786
Uniforms	2,586		2,586
Utilities	22,071	2,592	24,663
 Total Expenses	 \$ <u>1,876,831</u>	 \$ <u>65,591</u>	 \$ <u>1,942,422</u>