

LITTLE ITALY ASSOCIATION
Financial Statements
For The Year Ended June 30, 2011
And
Independent Auditors' Report

LITTLE ITALY ASSOCIATION
Financial Statements
June 30, 2011

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Guerrero, Jimenez, Diaz
& Co. LLP

A Certified Public Accounting Firm

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 Non-Profit Organization) as of June 30, 2011, 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, 2011, 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 9 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
December 19, 2011

Little Italy Association
Statement of Financial Position
For the Year Ended June 30, 2011

ASSETS

Current Assets

Cash in Banks (note 3)	204,568
Investment (note 5)	10,000
Accounts Receivable (note 4)	50,346
Total Current Assets	264,914

Property & Equipment

Vehicles	31,759
Equipment	41,826
Less Accumulated Depreciation	(56,210)
Total Fixed Assets	17,375

Total Assets

282,289

LIABILITIES & NET ASSETS

Liabilities

Accounts Payable	39,511
Advance from the City of San Diego and CCDC (note 6)	30,000
Current Portion of Notes Payable (note 8)	5,312
Total Current Liabilities	74,823

Long Term Liabilities

Notes Payable (note 8)	6,650
Total Long Term Liabilities	6,650

Total Liabilities

81,473

Net Assets

Unrestricted	190,816
Permanently Restricted (note 5)	10,000
Total Net Assets	200,816

Total Liabilities & Net Assets

282,289

See Accountant's accompanying notes and report.

Little Italy Association
Statement of Activities
For the Year Ended June 30, 2011

CHANGES IN UNRESTRICTED NET ASSETS:

Revenue

Assessment District and Public:

SBEP - (Public)	\$ 17,557
BID Reimbursement - (Assessment)	77,340
MAD Reimbursement - (Assessment)	745,477
Parking District Reimbursement - (Public)	145,060
City and County Grants for Festa Event - (Public)	28,285
County Grant for Recycling Program	48,317
City funding for Programs & Other Events - (Public)	24,479
Total Assessment District and Public	1,086,515

Non Assessment Non-Public Funding

Festa Event, Excluding Government Grants	109,546
Mercato Event	287,671
Other Events and Programs	123,896
Interest Income	3
Other Income	10,163

Total Revenue	1,617,794
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Expenses:

Program & Event Expenses	1,533,976
General & Administrative	51,542
Total Program, Event & General & Administrative Expenses	1,585,518

Increase in Unrestricted Net Assets	32,276
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:

Increase in Permanently Restricted Net Assets	-
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Net Assets, Beginning of Year	179,999
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Prior Year Adjustment in Unrestricted Net Assets	(11,459)
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Net Assets, End of Year	\$ 200,816
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Little Italy Association
Statement of Cash Flows
For the Year Ended June 30, 2010

Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 32,276
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:	
Prior Year Adjustment due to Accumulated Depreciation	(11,459)
Accumulated Depreciation Prior Year Adjustment	11,459
Depreciation Expense	6,692
Increase in Accounts Receivable	86,926
Increase in Accounts Payable	18,896
Total Adjustments	<u>112,514</u>
Net Cash Provided by Operating Activities	<u>144,790</u>
Cash Flows from Investing Activities	
Payment to purchase vehicles	
Proceeds from sale of equipment	-
	<u>-</u>
Cash Flows from Financing Activities	
Repayment of Loans	(4,888)
	<u>(4,888)</u>
Net Increase/(Decrease) in Cash	139,902
Cash at Beginning of Period	<u>64,666</u>
Cash at End of Period	<u>\$ 204,568</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Payments	<u>\$ 1,667</u>

See Accountant's accompanying notes and report.

LITTLE ITALY ASSOCIATION
Notes to Financial Statements
June 30, 2011

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 Centre City Development Corp. ("CCDC", 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 – Adjustment to Prior Years

The adjustment to prior years in the amount of \$11,459 is due to an adjustment to accumulated depreciation, which each year individually did not represent a significant amount.

NOTE 3 – Cash in Banks

Cash in banks are listed as follows:

Checking – B.I.D.	\$ 18,640
Checking – MAD	119,526
Savings Account	29,350
Checking – Mercato Account	4,004
Checking – Special Events	30,509
Checking – Payroll	2,360
Checking – Parking District	<u>179</u>
Total Cash in Banks	<u>\$ 204,568</u>

NOTE 4 – Accounts Receivable

The balance of \$50,346 in accounts receivable represents currently unpaid claims to the City of San Diego and CCDC for expenditures incurred through the end of the fiscal year through June 30, 2011 for the administration of the different districts, and other receivable related to special events and other programs, as follows:

City of San Diego – BID	\$ 10,776
CCDC – Parking	35,966
Special events/programs	<u>3,604</u>
	<u>\$ 50,346</u>

NOTE 5 – Investment

The Association, in May 22, 2008, entered into an 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.

Note 6 – Advances from the City of San Diego and CCDC

The Association, under a contract with the City of San Diego, received \$120,000 on July 2008 of MAD funds to

meet July 2008 – June 2009 MAD related expenses. The Association applied \$10,000 of such advance to the May 2009 MAD reimbursement request, but the City of San Diego reimbursed the funds without deducting the advance, thus at June 30, 2011, the Association has \$10,000 of funds on hand related to the May 2009 MAD reimbursement request, that the Association will deduct from subsequent MAD expense reimbursement requests.

Additionally, the Association received \$20,000 on August 2009 from CCDC of Parking funds to meet current Parking related expenses, that were not used, and that will be deducted from future Parking expense reimbursement requests. At June 30, 2011 the advance balance related to the Community Parking Program was \$20,000, no funds from the advance have been applied to Parking reimbursement requests as of June 30, 2011.

Note 7 – Lease Agreement – Subsequent Event

The organization rented offices at 1668 and 1668 ½ Columbia Street, San Diego, California during the year ended June 30, 2011, and had a five year lease, scheduled to expire on November 19, 2011, with a monthly rent of \$2,400. This lease was terminated before its expiration and on September 1, 2011 the Association entered into a sublease agreement for office space with 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 sublease agreement stipulates that the Association will pay 59.75% 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 \$2,887.58. The sub-lease term is for five years ending on August 31, 2016.

NOTE 8 – 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.

\$ 6,731

Note payable to San Diego National 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.

5,231

Total notes payable as of June 30, 2011

11,962

Less current portion as of June 30, 2011

5,312

Long-term portion as of June 30, 2011

\$ 6,650

NOTE 9 – Commitment

The Association renewed on July 1, 2009 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, 2012. The contract stipulates that for years ending on June 30, 2011 and 2012, the fees are to be negotiated based upon approval by the Association and available funding. Also see note 7 – lease agreement and note 10 – related parties.

NOTE 10 – Related Parties

The Association, during the year June 30, 2011 paid New City America Inc \$103,000 to administer the BID contract and all other Association's activities (non-Mad, non-parking, and non-Festa), \$117,000 to administer the MAD contract, \$30,000 to administer the Community Parking Program, \$41,000 for special event coordination and \$4,613 for other services. The Association's Chief Executive Administrator is also the President of New City America, Inc.

LITTLE ITALY ASSOCIATION
Statement of Functional Expenses
For the Year Ended June 30, 2011

	<u>PROGRAM & EVENTS</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>TOTAL</u>
Administration of MAD Contract	\$ 99,450	\$ 17,550	\$ 117,000
Administration of BID Contract and Association's Activities	88,000	15,000	103,000
Personnel Costs for mainenance employees:			
Salaries	314,722		314,722
Bonuses	1,950		1,950
Workers' Compensation Insurance	69,173		69,173
Medical & Dental Benefits	34,824		34,824
Payroll Taxes & Processing Fees	51,506		51,506
Transportation Allowance	2,072		2,072
	-		
Event/Program Expenses	-		
Festa	113,418		113,418
Mercato	199,097		199,097
Parking	146,647		146,647
Recycling	82,038		82,038
Other	91,416		91,416
	-		
Auto Expenses	16,661		16,661
Bank Charges	2,289		2,289
Banner Expense	4,355		4,355
Cleaning and Janitorial Supplies	25,541		25,541
Depreciation	6,692		6,692
Donations	4,700		4,700
Dues & Subscriptions	1,010		1,010
Dumpster Services	17,002		17,002
Equipment	1,138		1,138
Equipment Rental	4,024		4,024
Insurance	15,706		15,706
Interest Expense	-	1,667	1,667
Licenses, Permits & Taxes	-	410	410
Marketing & Promotion	37,891		37,891
Miscellaneous	-	4,400	4,400
Nursery Supplies & Tree Maintenance	19,871	-	19,871
Office Expenses	8,252	2,063	10,315
Postage & Printing	4,370	1,092	5,462
Professional Services	5,414	-	5,414
Program Operation	813		813
Rent	20,800	5,200	26,000
Security Services	420	-	420
Storage	-		-
Street Cleaning & Beautification	22,747		22,747
Taxes	956		956
Telephone	6,563	1,641	8,204
Uniforms	2,373		2,373
Utilities	10,075	2,519	12,594
Total Expenses	\$ <u>1,533,976</u>	\$ <u>51,542</u>	\$ <u>1,585,518</u>