



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## ADAMS AVENUE BUSINESS ASSOCIATION, INC.

Audited Financial Statements  
For the Year Ended  
December 31, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors of  
**Adams Avenue Business Association, Inc.**

We have audited the accompanying statements of financial position of the Adams Avenue Business Association, Inc. (a nonprofit organization) as of December 31, 2016, and the related statements of activities, and cash flows for the year 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*

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 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 corporation'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 corporation'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.

*Continued page 2 of 2*



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Adams Avenue Business Association Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Compliance on page 9, the Statement of Expenditures - Budget vs. Actual, City of San Diego Contracts the on page 10, Schedule of Event Revenue and Expenses on page 11 are presented for purposes of additional analysis and not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 2, 2017

  
Sonnenberg & Company, CPAs

**ADAMS AVENUE BUSINESS ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2016  
(With Comparative Totals for December 31, 2015)

Assets	2016	2015
Cash and cash equivalents - general	\$ 284,886	\$ 269,876
Accounts receivable - EDTS	30,000	29,000
Accounts receivable - MAD	8,189	14,324
Accounts receivable - BID	-	1,927
Accounts receivable - SBEP	700	14,000
Other receivable	800	2,081
Other assets	3,161	1,361
	<hr/>	<hr/>
Total assets	\$ 327,736	\$ 332,569
	<hr/>	<hr/>
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 200	\$ -
Deferred revenue	14,929	15,490
	<hr/>	<hr/>
Net assets		
Unrestricted, undesignated	312,607	317,079
	<hr/>	<hr/>
Total liabilities and net assets	\$ 327,736	\$ 332,569
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

**ADAMS AVENUE BUSINESS ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2016  
(With Comparative Totals for Year Ended December 31, 2015)

Revenue and support	2016	2015
City of San Diego - MAD	\$ 45,369	\$ 53,556
City of San Diego - BID	50,675	56,316
City of San Diego - SBEP	18,474	19,857
City of San Diego - EDTS	58,753	55,400
Event income	280,905	323,857
Less: event expenses	(222,388)	(230,047)
Net events	58,517	93,810
Other income	6,687	8,982
Total revenue and support	<u>238,475</u>	<u>287,921</u>
Expenses		
Personnel	158,521	156,952
Maintenance Assessment District (MAD)	24,588	37,661
Marketing and promotion	18,711	34,083
Equipment and maintenance	1,976	1,977
Insurance	2,671	6,802
Office expenses	15,314	23,639
Office rent	2,400	2,400
Outside services	18,766	21,518
Total expenses	<u>242,947</u>	<u>285,032</u>
Change in net assets	(4,472)	2,889
Net assets, beginning of year	\$ <u>317,079</u>	\$ <u>314,190</u>
Net assets, end of year	\$ <u><u>312,607</u></u>	\$ <u><u>317,079</u></u>

The accompanying notes are an integral part of these financial statements

**ADAMS AVENUE BUSINESS ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2016  
(With Comparative Totals for Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,472)	\$ 2,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	21,643	(15,655)
(Increase) decrease in other assets	(1,800)	5,362
Increase (decrease) in accounts payable and accrued expenses	200	-
Increase (decrease) in deferred income	<u>(561)</u>	<u>3,148</u>
Net cash provided (used) by operating activities	<u>15,010</u>	<u>(4,256)</u>
Net increase (decrease) in cash and cash equivalents	15,010	(4,256)
Cash and cash equivalents, beginning of year	<u>269,876</u>	<u>\$ 274,132</u>
Cash and cash equivalents, end of year	<u><u>\$ 284,886</u></u>	<u><u>\$ 269,876</u></u>

The accompanying notes are an integral part of these financial statements



**ADAMS AVENUE BUSINESS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

**Note 1            Organization and Nature of Activities**

The Adams Avenue Business Association, Inc. (the Association) was established in 1982 and incorporated in 1985 as a non-profit mutual benefit corporation. Its mission is to promote and increase commercial activity within the Adams Avenue Business Improvement District. The Association is supported by San Diego City program contract income and special events income.

The governing body is the Board of Directors elected annually from the general membership. The members are those businesses located along Adams Avenue from Hamilton Street on the west to Vista Street on the east. Membership is contingent upon paying the required City of San Diego's Business License Tax and the Business Improvement District's fee both of which are simultaneously collected each year by the City of San Diego.

The Association manages the Adams Avenue Business Improvement District and Maintenance Assessment District through contracts with the City of San Diego. The Association also hosts three annual special events: Adams Avenue Unplugged, Taste of Adams Avenue and the Adams Avenue Street Fair. These events are operated as promotion for the business district, community events and fundraising activities for the projects and programs of the Association.

Other activities of Association include marketing and promoting the Adams Avenue Business Improvement District and its member businesses, acting as a resource center for the small business members, acting as liaison with governmental offices, working with the City of San Diego to administer progressive programs that assist small businesses such as the Public Right of Way Program and Storefront Improvement Program.

**Note 2            Summary of Significant Accounting Policies**

**Basis of Presentation**

The Association's financial statements have been prepared on the accrual basis of accounting.

**Accounting for Net Assets**

To ensure observance of certain constraints and restrictions placed on the use of resources, the financial statements of the Association are maintained in accordance with the principles of net asset accounting. That is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**ADAMS AVENUE BUSINESS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

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

**Accounting for Net Assets, continued**

**Temporarily Restricted.** The Association reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from program. The Association has no temporarily restricted net assets at December 31, 2016.

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Association to expend all of the income (or other economic benefits) derived from the donated assets. The Association has no permanently restricted net assets at December 31, 2016.

**Income Tax Status**

The Association is a not-for-profit corporation under Section 501(c)(6) of the Internal Revenue Code whereby it is exempt from income taxes. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the dates and for the periods presented.

**Cash and cash equivalents**

The Association has defined cash and cash equivalents as cash in banks and highly liquid investments with an original maturity of three months or less.

**Accounts Receivable**

Accounts receivable are from city and county granting agencies. No allowance for doubtful accounts has been established since management believes all accounts receivable are collectible, and management's experience has been that all such receivables have been collected in the past.



**ADAMS AVENUE BUSINESS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

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

**Donated Goods and Services**

Donated goods and services are recognized as contributions if the goods 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 Association. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**Deferred Revenue**

Prepaid fees for events and contract income received in advance are deferred.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, it should be read in conjunction with the Association's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

**Date of Management Review**

Subsequent events were evaluated through May 2, 2017, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, these financial statements.

**Note 3            Concentrations of Credit Risk**

Financial instruments that potentially subject the Association to credit risk consist principally of temporary cash investments. The Association places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. As of December 31, 2016, the Association had no significant concentrations of credit risk.

**Note 4            Commitments and Contingencies: Grants and Contracts**

The Association'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 Association has no provisions for the possible disallowance of program costs on its financial statements.

## **SUPPLEMENTARY INFORMATION**

STATEMENT OF COMPLIANCE

May 2, 2017

To Whom It May Concern:

The Adams Avenue Business association is in compliance with all City of San Diego requirements, such as general requirements, compensation and reimbursements, record keeping and insurance as set forth in the agreements between the City of San Diego and the Adams Avenue Business Association.

All required reports and disclosures have been submitted.

Scott Kessler

Executive Director

See Independent Auditor's Report



**ADAMS AVENUE BUSINESS ASSOCIATION, INC.**  
**STATEMENT OF EXPENDITURES**  
 Budget vs Actual  
 City of San Diego Contracts - BID, MAD, SBEP & EDTS  
 July 2015 through June 2016

	BID			MAD			SBEP			EDTS		
	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget
<b>Income</b>												
41000 · SBEP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,524	\$ 21,000	\$ 3,524	\$ -	\$ -	\$ -
42000 · MAD	-	-	-	45,369	53,500	(8,131)	-	-	-	-	-	-
42020 · BID	50,675	51,000	325	-	-	-	-	-	-	-	-	-
40040 · EDTS	-	-	-	-	-	-	-	-	-	58,753	52,753	6,000
<b>Total Income</b>	<u>50,675</u>	<u>51,000</u>	<u>325</u>	<u>45,369</u>	<u>53,500</u>	<u>(8,131)</u>	<u>24,524</u>	<u>21,000</u>	<u>3,524</u>	<u>58,753</u>	<u>52,753</u>	<u>6,000</u>
<b>Expenses</b>												
<b>50020 · Personnel</b>												
50027 · Office Staffing	30,301	24,550	(5,751)	15,032	16,200	(1,168)	18,474	21,000	(2,526)	15,000	15,000	-
<b>Total 50020 · Personnel</b>	<u>30,301</u>	<u>24,550</u>	<u>(5,751)</u>	<u>15,032</u>	<u>16,200</u>	<u>(1,168)</u>	<u>18,474</u>	<u>21,000</u>	<u>(2,526)</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
<b>52010 · Maintenance</b>												
52035 · Supplies	-	-	-	477	600	(123)	-	-	-	-	-	-
52025 · Utilities(Water/Electricity)	-	-	-	3,807	4,000	(193)	-	-	-	-	-	-
52020 · Contract Labor	-	3,000	3,000	20,557	26,350	(5,793)	-	-	-	-	-	-
<b>Total 52010 · Maintenance</b>	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>24,841</u>	<u>30,950</u>	<u>(6,109)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>53100 · Special Events</b>												
53115 · Promotional	135	-	(135)	-	-	-	-	-	-	11,753	11,753	-
53125 · Contract Labor	-	-	-	-	-	-	-	-	-	16,000	16,000	-
53105 · Equipment Rental	-	-	-	-	-	-	-	-	-	12,647	10,000	-
<b>Total 53100 · Special Events</b>	<u>135</u>	<u>-</u>	<u>(135)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,400</u>	<u>37,753</u>	<u>2,647</u>
<b>50040 Operating</b>												
50110 · Insurance	1,508	3,000	1,492	500	200	300	-	-	-	-	-	-
50210 · Office Supplies	639	1,200	561	-	50	(50)	460	-	460	-	-	-
50125 · Accounting	6,232	8,750	2,518	4,358	5,200	(842)	3,900	-	3,900	-	-	-
50060 · Dues and Subscriptions	500	400	(100)	-	-	-	-	-	-	-	-	-
50080 · Rent	1,600	2,400	800	-	-	-	-	-	-	-	-	-
50090 · Telephone	1,281	1,200	(81)	640	700	(60)	-	-	-	-	-	-
50070 · Postage and Delivery	1,552	400	(1,152)	-	200	(200)	-	-	-	-	-	-
Meetings + Conventions	1,886	1,000	(886)	-	-	-	-	-	-	-	-	-
<b>Total 50040 Operating</b>	<u>15,198</u>	<u>18,350</u>	<u>3,152</u>	<u>5,498</u>	<u>6,350</u>	<u>(852)</u>	<u>4,360</u>	<u>-</u>	<u>4,360</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>51510 · Marketing</b>												
51555 · Graphic Design	-	200	200	-	-	-	-	-	-	-	-	-
51530 · Website/Social Media	2,101	400	(1,701)	-	-	-	1,690	-	1,690	-	-	-
51535 · Advertising/Promotion	1,003	1,000	(3)	-	-	-	-	-	-	-	-	-
51515 · Printing & Reproduction	-	500	500	-	-	-	-	-	-	-	-	-
<b>Total 51510 · Marketing</b>	<u>3,104</u>	<u>2,100</u>	<u>(1,004)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,690</u>	<u>-</u>	<u>1,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
CONTINGENCY	1,936	3,000	1,064	-	-	-	-	-	-	3,353	-	3,353
<b>Total Expense</b>	<u>50,674</u>	<u>51,000</u>	<u>326</u>	<u>45,371</u>	<u>53,500</u>	<u>(8,129)</u>	<u>24,524</u>	<u>21,000</u>	<u>3,524</u>	<u>58,753</u>	<u>52,753</u>	<u>6,000</u>
<b>Net Income</b>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report

# ADAMS AVENUE BUSINESS ASSOCIATION, INC.

## Schedule of Event Revenue and Expenses

**For the Year Ended December 31, 2016**

	<u>Unplugged</u>	<u>Taste of Adams</u>	<u>Street Fair</u>	<u>Holiday on Adams &amp; Spirit Stroll</u>	<u>Total</u>
Revenue:					
Booth Rentals	\$ 5,700	\$ -	\$ 147,689	\$ -	\$ 153,389
Ticket Sales	2,570	34,293	-	9,619	46,482
Sales of Merchandise	1,392	-	53,797	-	55,189
Grants/Sponsorship	4,250	-	-	-	4,250
Other Income	5,402	-	14,493	1,700	21,595
Total Revenue	<u>19,314</u>	<u>34,293</u>	<u>215,979</u>	<u>11,319</u>	<u>280,905</u>
Expenses:					
Equipment Rental	3,304	-	31,717	420	35,441
Advertising	9,605	8,669	14,251	5,085	37,610
Personnel	-	-	18,000	-	18,000
Contract Labor	7,636	2,459	52,868	585	63,548
Music & Entertainment	16,235	-	24,975	2,550	43,760
Other Event Expenses	6,931	5,619	26,160	3,319	42,029
	<u>43,711</u>	<u>16,747</u>	<u>167,971</u>	<u>11,959</u>	<u>222,388</u>
Net Revenue	\$ <u>(24,397)</u>	\$ <u>17,546</u>	\$ <u>48,008</u>	\$ <u>(640)</u>	\$ <u>58,517</u>

**For the Year Ended December 31, 2015**

	<u>Unplugged</u>	<u>Taste of Adams</u>	<u>Street Fair</u>	<u>Holiday on Adams</u>	<u>Total</u>
Revenue:					
Booth Rentals	\$ 23,725	\$ -	\$ 169,758	\$ -	\$ 193,483
Ticket Sales	1,030	29,132	-	-	30,162
Sales of Merchandise	3,260	-	51,605	-	54,865
Other Income	8,389	-	22,870	14,088	45,347
Total Revenue	<u>36,404</u>	<u>29,132</u>	<u>244,233</u>	<u>14,088</u>	<u>323,857</u>
Expenses:					
Equipment Rental	10,057	-	28,876	500	39,433
Advertising	7,457	5,410	11,985	585	25,437
Contract Labor	16,905	2,145	62,544	-	81,594
Music & Entertainment	19,542	-	27,973	-	47,515
Other Event Expenses	6,087	1,051	22,170	6,760	36,068
Total Expenses	<u>60,048</u>	<u>8,606</u>	<u>153,548</u>	<u>6,760</u>	<u>230,047</u>
Net Revenue	\$ <u>(23,644)</u>	\$ <u>20,526</u>	\$ <u>90,685</u>	\$ <u>14,088</u>	\$ <u>93,810</u>

See Independent Auditor's Report