



Sonnenberg & Company, CPAs

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Leonard C. Sonnenberg, CPA

**ADAMS AVENUE
BUSINESS ASSOCIATION, INC.**
Audited Financial Statements
For the Year Ended
December 31, 2017

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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, 2017, 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, 2017, 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 10, the Statement of Expenditures - Budget vs. Actual, City of San Diego Contracts the on page 11, Schedule of Event Revenue and Expenses on page 12 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

March 28, 2018


Sonnenberg & Company, CPAs

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With Comparative Totals for December 31, 2016)

Assets	2017	2016
Cash and cash equivalents - general	\$ 279,091	\$ 284,886
Accounts receivable - EDTS	50,000	30,000
Accounts receivable - MAD	8,555	8,189
Accounts receivable - SBEP	2,258	700
Other receivable	930	800
Other assets	3,198	3,161
Total assets	\$ 344,032	\$ 327,736
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,881	\$ 200
Deferred revenue	17,755	14,929
Net assets		
Unrestricted, undesignated	329,396	312,607
Total liabilities and net assets	\$ 349,032	\$ 327,736

The accompanying notes are an integral part of these financial statements

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2017
(With Comparative Totals for Year Ended December 31, 2016)

Revenue and support	2017	2016
City of San Diego - MAD	\$ 61,515	\$ 45,369
City of San Diego - BID	46,695	50,675
City of San Diego - SBEP	14,977	18,474
City of San Diego - EDTS	73,739	58,753
County of San Diego grant	24,500	-
Event income	303,064	280,905
Less: event expenses	(207,887)	(222,388)
Net events	95,177	58,517
Other income	5,132	6,687
Total revenue and support	<u>321,735</u>	<u>238,475</u>
Expenses		
Personnel	160,322	158,521
Maintenance Assessment District (MAD)	57,535	24,588
Marketing and promotion	41,372	18,711
Equipment and maintenance	-	1,976
Insurance	3,680	2,671
Office expenses	23,196	15,314
Office rent	2,600	2,400
Outside services	16,241	18,766
Total expenses	<u>304,946</u>	<u>242,947</u>
Change in net assets	16,789	(4,472)
Net assets, beginning of year	\$ <u>312,607</u>	\$ <u>317,079</u>
Net assets, end of year	\$ <u><u>329,396</u></u>	\$ <u><u>312,607</u></u>

The accompanying notes are an integral part of these financial statements

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2017
(With Comparative Totals for Year Ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 16,789	\$ (4,472)
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	(22,054)	21,643
(Increase) decrease in other assets	(37)	(1,800)
Increase (decrease) in accounts payable and accrued expenses	1,681	200
Increase (decrease) in deferred income	2,826	(561)
	(795)	15,010
Net increase (decrease) in cash and cash equivalents	(795)	15,010
Cash and cash equivalents, beginning of year	284,886	\$ 269,876
Cash and cash equivalents, end of year	\$ 284,091	\$ 284,886

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, 2017

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, 2017

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, 2017.

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, 2017.

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, 2017

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, 2016 from which the summarized information was derived.

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, 2017, 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.

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note 5 Date of Management Review/Subsequent Events

Subsequent events were evaluated through March 28, 2018, the date the financial statements were available to be issued. The City of San Diego informed the Association that its special events would not be eligible to receive EDTS (Economic Development and Tourism Support) funding in fiscal year ending June 30, 2019. The Association can either choose a different program for the EDTS application process other than special events, or to switch funding pools to the TOT (Transient Occupancy Tax) administered by Commission for Arts and Culture. TOT funding is estimated at 50% reduction compared to the EDTS current funding amount.

SUPPLEMENTARY INFORMATION



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Leonard C. Sonnenberg, CPA

STATEMENT OF COMPLIANCE

March 28, 2018

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 2016 through June 2017

	BID			MAD			SBEP			EDTS		
	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget
Income												
41000 · SBEP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,977	\$ 21,000	\$ (6,023)	\$ -	\$ -	\$ -
42000 · MAD	-	-	-	61,515	45,400	16,115	-	-	-	-	-	-
42020 · BID	46,695	53,812	7,117	-	-	-	-	-	-	-	-	-
40040 · EDTS	-	-	-	-	-	-	-	-	-	50,000	56,908	(6,908)
Total Income	<u>46,695</u>	<u>53,812</u>	<u>7,117</u>	<u>61,515</u>	<u>45,400</u>	<u>16,115</u>	<u>14,977</u>	<u>21,000</u>	<u>(6,023)</u>	<u>50,000</u>	<u>56,908</u>	<u>(6,908)</u>
Expenses												
50020 · Personnel												
50027 · Office Staffing	25,316	30,078	4,762	19,943	15,100	4,843	14,977	21,000	(6,023)	9,000	10,000	(1,000)
Total 50020 · Personnel	<u>25,316</u>	<u>30,078</u>	<u>4,762</u>	<u>19,943</u>	<u>15,100</u>	<u>4,843</u>	<u>14,977</u>	<u>21,000</u>	<u>(6,023)</u>	<u>9,000</u>	<u>10,000</u>	<u>(1,000)</u>
52010 · Maintenance												
52035 · Supplies	-	-	-	269	500	(231)	-	-	-	-	-	-
52025 · Utilities(Water/Electric)	-	-	-	4,200	3,800	400	-	-	-	-	-	-
52020 · Contract Labor	-	300	300	31,664	20,900	10,764	-	-	-	-	-	-
Total 52010 · Maintenance	<u>-</u>	<u>300</u>	<u>300</u>	<u>36,133</u>	<u>25,200</u>	<u>10,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
53100 · Special Events												
53115 · Promotional	-	-	-	-	-	-	-	-	-	18,800	18,908	(108)
53125 · Contract Labor	-	-	-	-	-	-	-	-	-	10,700	16,000	(5,300)
53105 · Equipment Rental	-	-	-	-	-	-	-	-	-	9,050	12,000	(2,950)
Total 53100 · Special Events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,550</u>	<u>46,908</u>	<u>(8,358)</u>
50040 Operating												
50110 · Insurance	1,365	2,945	1,580	1,200	500	700	-	-	-	-	-	-
50210 · Office Supplies	377	1,364	987	23		23	-	-	-	-	-	-
50125 · Accounting	7,455	7,721	266	3,527	4,000	(473)	-	-	-	-	-	-
50060 · Dues and Subscriptions	500	500	-	-	-	-	-	-	-	-	-	-
50080 · Rent	2,400	2,200	(200)	-	-	-	-	-	-	-	-	-
50090 · Telephone	1,269	1,064	(205)	689	600	89	-	-	-	-	-	-
50070 · Postage and Delivery	1,549	49	(1,500)	-	-	-	-	-	-	-	-	-
50059 Meetings + Conventions	1,328	1,498	170	-	-	-	-	-	-	-	-	-
Total 50040 Operating	<u>16,243</u>	<u>17,341</u>	<u>1,098</u>	<u>5,439</u>	<u>5,100</u>	<u>339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
51510 · Marketing												
51555 · Graphic Design	762	3,787	3,025	-	-	-	-	-	-	-	-	-
51530 · Website/Social Media	1,858	1,386	(472)	-	-	-	-	-	-	-	-	-
51535 · Advertising/Promotion	2,516	920	(1,596)	-	-	-	-	-	-	-	-	-
51515 · Printing & Reproduction	-	-	-	-	-	-	-	-	-	-	-	-
Total 51510 · Marketing	<u>5,136</u>	<u>6,093</u>	<u>957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CONTINGENCY	-	-	-	-	-	-	-	-	-	2,450	-	2,450
Total Expense	<u>46,695</u>	<u>53,812</u>	<u>7,117</u>	<u>61,515</u>	<u>45,400</u>	<u>16,115</u>	<u>14,977</u>	<u>21,000</u>	<u>(6,023)</u>	<u>50,000</u>	<u>56,908</u>	<u>(6,908)</u>
Net Income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2017

	<u>Unplugged</u>	<u>Taste of Adams</u>	<u>Street Fair</u>	<u>Holiday on Adams & Spirit Stroll</u>	<u>Total</u>
Revenue:					
Booth Rentals	\$ 3,670	\$ -	\$ 169,302	\$ -	\$ 172,972
Ticket Sales	4,017	34,640	-	9,836	48,493
Sales of Merchandise	633	-	55,554	-	56,187
Grants/Sponsorship	-	-	1,500	-	1,500
Other Income	3,550	-	15,362	-	18,912
Total Revenue	<u>11,870</u>	<u>34,640</u>	<u>241,718</u>	<u>9,836</u>	<u>298,064</u>
Expenses:					
Equipment Rental	3,104	1,350	31,204	-	35,658
Advertising	9,800	9,190	18,949	5,970	43,909
Contract Labor	5,920	1,151	56,121	1,386	64,578
Music & Entertainment	11,110	-	20,249	-	31,359
Other Event Expenses	4,534	2,010	19,977	5,862	32,383
	<u>34,468</u>	<u>13,701</u>	<u>146,500</u>	<u>13,218</u>	<u>207,887</u>
Net Revenue	\$ <u>(22,598)</u>	\$ <u>20,939</u>	\$ <u>95,218</u>	\$ <u>(3,382)</u>	\$ <u>90,177</u>

For the Year Ended December 31, 2016

	<u>Unplugged</u>	<u>Taste of Adams</u>	<u>Street Fair</u>	<u>Holiday on Adams</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
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>149,971</u>	<u>11,959</u>	<u>222,388</u>
Net Revenue	\$ <u>(24,397)</u>	\$ <u>17,546</u>	\$ <u>66,008</u>	\$ <u>(640)</u>	\$ <u>58,517</u>

See Independent Auditor's Report