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Leonard C. Sonnenberg, CPA

**ADAMS AVENUE
BUSINESS ASSOCIATION, INC.**
Audited Financial Statements
For the Year Ended
December 31, 2018

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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 statement of financial position of the Adams Avenue Business Association, Inc. (a nonprofit organization) as of December 31, 2018, and the related statements of activities, functional expenses, 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 position of Adams Avenue Business Association Inc. as of December 31, 2018, 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 11, the Statement of Expenditures - Budget vs. Actual, the City of San Diego Contracts on page 12, and the Schedule of Event Revenue and Expenses on page 13 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 auditing standards generally accepted in the United States of America. 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 Adams Avenue Business Association, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 18, 2019


Sonnenberg & Company, CPAs

ADAMS AVENUE BUSINESS ASSOCIATION, INC.**STATEMENT OF FINANCIAL POSITION**

December 31, 2018

(With Comparative Totals for December 31, 2017)

Assets	2018	2017
Cash	\$ 337,719	\$ 279,091
Accounts Receivable - EDTS	-	50,000
Accounts Receivable - MAD	11,560	8,555
Accounts Receivable - SBEP	12,292	2,258
Other Receivable	8,200	930
Other Assets	3,412	3,198
Total Assets	\$ 373,183	\$ 344,032
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 8,933	\$ 1,881
Deferred Revenue	15,814	17,755
Total Liabilities	24,747	19,636
Net Assets		
Without Donor Restrictions	348,436	324,396
Total Liabilities and Net Assets	\$ 373,183	\$ 344,032

The accompanying notes are an integral part of these financial statements

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

Revenue and support	2018	2017
Grants & Contracts	\$ 165,320	\$ 216,426
Special Events	310,587	303,064
Less: Event Expenses	<u>(206,728)</u>	<u>(207,887)</u>
Net Events	103,859	95,177
Other Income	<u>25,631</u>	<u>5,132</u>
Total Revenue and Support	294,810	316,735
Expenses		
Program Services	229,241	259,229
Supporting Services		
Management and General	<u>41,529</u>	<u>45,717</u>
Total Supporting Services	41,529	45,717
Total Expenses	<u>270,770</u>	<u>304,946</u>
Change in Net Assets	24,040	11,789
Net Assets, Beginning of Year	<u>324,396</u>	<u>312,607</u>
Net Assets, End of Year	<u><u>\$ 348,436</u></u>	<u><u>\$ 324,396</u></u>

The accompanying notes are an integral part of these financial statements

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Program Services	Management and General	2018 Total	2017 Total
Personnel and Related				
Salaries and Wages	\$ 116,608	\$ 12,956	\$ 129,564	\$ 126,849
Payroll taxes	9,450	1,049	10,499	11,444
Employee Benefits	16,281	1,809	18,090	18,879
Payroll Processing Fees	1,371	152	1,523	3,150
Total Personnel and Related	<u>143,710</u>	<u>15,966</u>	<u>159,676</u>	<u>160,322</u>
Non-Personnel				
Accounting and Audit	15,491	1,721	17,212	16,241
Advertising and Marketing	28,664	-	28,664	41,372
Board and Committee Meetings	2,798	310	3,108	3,946
Contracted Services	-	5,719	5,719	-
Dues and Subscriptions	957	106	1,063	841
Insurance	3,312	368	3,680	3,680
Miscellaneous	540	60	600	9,110
Maintenance	42,491	-	42,491	57,535
Postage and Delivery	3,309	367	3,676	3,721
Rent	-	-	-	2,600
Supplies and Office Expenses	1,718	190	1,908	2,219
Telephone	2,676	297	2,973	3,359
Total Non-Personnel	<u>101,956</u>	<u>9,138</u>	<u>111,094</u>	<u>144,624</u>
Total Functional Expenses	<u>\$ 245,666</u>	<u>\$ 25,104</u>	<u>\$ 270,770</u>	<u>\$ 304,946</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, 2018

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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

Note 2 Summary of Significant Accounting Policies, continued

Basis of Presentation (continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statement of activities as net assets released from restrictions.

The Association did not have any net assets with donor restrictions at December 31, 2018.

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

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, 2018

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. As of December 31, 2018, the total deferred contract income was \$15,814.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Change in Accounting Principle

During 2018, the Association adopted the provisions of Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The Update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these financial statements accordingly. The ASU 2016-14 has been applied on a retrospective basis.

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 accounting principles generally accepted in the United States of America. Accordingly, it should be read in conjunction with the Association's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

Note 3 **Concentrations of Credit Risk**

Financial instruments that potentially subject the Association to credit risk consist principally of temporary cash investments and accounts receivable. The Association places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. All receivables were from the City of San Diego and fully collected subsequent to the year end. As of December 31, 2018, the Association had no significant concentrations of credit risk.

Note 4 **Liquidity and Availability**

The Association has \$369,771 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. This consists of cash and cash equivalents of \$337,719 and accounts receivable of \$32,052.

Note 5 **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.

Note 6 **Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, insurance, office expenses, and other non-personnel expenses that are allocated on the basis of estimates of time and effort of each employee in the respective program and/or supporting function.

Note 7 **Date of Management Review/Subsequent Events**

The Association has performed an evaluation of subsequent events through April 18, 2019, which is 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, the financial statements.

SUPPLEMENTARY INFORMATION

STATEMENT OF COMPLIANCE

April 18, 2019

To Whom It May Concern:

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 & TOT

July 2017 through June 2018

	BID			MAD			SBEP			TOT		
	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget
Income												
41000 · SBEP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,840	\$ 21,000	\$ (160)	\$ -	\$ -	\$ -
42000 · MAD	-	-	-	56,540	49,670	6,870	-	-	-	-	-	-
42020 · BID	52,185	60,000	7,815	-	-	-	-	-	-	-	-	-
40040 · CAA	-	-	-	-	-	-	-	-	-	30,755	240,300	(209,545)
Total Income	<u>52,185</u>	<u>60,000</u>	<u>7,815</u>	<u>56,540</u>	<u>49,670</u>	<u>6,870</u>	<u>20,840</u>	<u>21,000</u>	<u>(160)</u>	<u>30,755</u>	<u>240,300</u>	<u>(209,545)</u>
Expenses												
50020 · Personnel												
50027 · Office Staffing	29,843	26,000	(3,843)	15,021	7,300	7,721	20,840	21,000	(160)	-	-	-
Total 50020 · Personnel	<u>29,843</u>	<u>26,000</u>	<u>(3,843)</u>	<u>15,021</u>	<u>7,300</u>	<u>7,721</u>	<u>20,840</u>	<u>21,000</u>	<u>(160)</u>	<u>-</u>	<u>-</u>	<u>-</u>
52010 · Maintenance												
52035 · Supplies	-	-	-	-	270	(270)	-	-	-	-	-	-
52025 · Utilities(Water/Electric)	-	-	-	-	4,200	(4,200)	-	-	-	-	-	-
52020 · Contract Labor	3,138	-	(3,138)	35,319	30,500	4,819	-	-	-	-	-	-
Total 52010 · Maintenance	<u>3,138</u>	<u>-</u>	<u>(3,138)</u>	<u>35,319</u>	<u>34,970</u>	<u>349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
53100 · Special Events												
53115 · Promotional	-	-	-	-	-	-	-	-	-	11,093	20,300	(9,207)
53125 · Contract Labor	80	-	(80)	-	-	-	-	-	-	10,700	141,700	(131,000)
53105 · Equipment Rental	-	-	-	-	-	-	-	-	-	8,962	20,000	(11,038)
Total 53100 · Special Events	<u>80</u>	<u>-</u>	<u>(80)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,755</u>	<u>182,000</u>	<u>(151,245)</u>
50040 Operating												
50110 · Insurance	1,291	-	(1,291)	865	900	(35)	-	-	-	-	-	-
50210 · Office Supplies	445	-	(445)	125	-	125	-	-	-	-	-	-
50125 · Accounting	6,920	-	(6,920)	4,510	3,500	1,010	-	-	-	-	-	-
50060 · Dues and Subscriptions	500	-	(500)	-	-	-	-	-	-	-	-	-
50090 · Telephone	627	-	(627)	200	700	(500)	-	-	-	-	-	-
50070 · Postage and Delivery	1,884	-	(1,884)	500	-	500	-	-	-	-	-	-
Total 50040 Operating	<u>11,667</u>	<u>20,000</u>	<u>8,333</u>	<u>6,200</u>	<u>5,100</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
51510 · Marketing												
51555 · Graphic Design	-	2,200	2,200	-	-	-	-	-	-	-	-	-
51530 · Website/Social Media	-	2,800	2,800	-	-	-	-	-	-	-	-	-
51535 · Advertising/Promotion	7,457	3,200	(4,257)	-	-	-	-	-	-	-	-	-
51560 · Holiday on Adams	-	3,800	3,800	-	-	-	-	-	-	-	-	-
Total 51510 · Marketing	<u>7,457</u>	<u>12,000</u>	<u>4,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CONTINGENCY	-	2,000	2,000	-	2,300	(2,300)	-	-	-	-	-	-
Total Expense	<u>52,185</u>	<u>60,000</u>	<u>7,815</u>	<u>56,540</u>	<u>49,670</u>	<u>6,870</u>	<u>20,840</u>	<u>21,000</u>	<u>(160)</u>	<u>30,755</u>	<u>182,000</u>	<u>(151,245)</u>
Net Income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,300</u>	<u>\$ (58,300)</u>

See Independent Auditor's Report

ADAMS AVENUE BUSINESS ASSOCIATION, INC.

Schedule of Event Revenue and Expenses

For the Year Ended December 31, 2018

	<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	\$ 1,218	\$ -	\$ 158,428	\$ -	\$ 159,646
Ticket Sales	13,339	36,160	5,210	9,755	64,464
Sales of Merchandise	512	-	53,361	-	53,873
Grants/Sponsorship	5,000	-	26,747	-	31,747
Other Income	-	-	857	-	857
Total Revenue	<u>20,069</u>	<u>36,160</u>	<u>244,603</u>	<u>9,755</u>	<u>310,587</u>
Expenses:					
Equipment Rental	2,212	1,350	31,921	-	35,483
Advertising	9,450	9,545	21,771	5,638	46,404
Contract Labor	6,772	725	56,380	785	64,662
Music & Entertainment	10,587	-	19,725	300	30,612
Other Event Expenses	3,313	1,978	19,753	4,523	29,567
	<u>32,334</u>	<u>13,598</u>	<u>149,550</u>	<u>11,246</u>	<u>206,728</u>
Net Revenue	\$ <u>(12,265)</u>	\$ <u>22,562</u>	\$ <u>95,053</u>	\$ <u>(1,491)</u>	\$ <u>103,859</u>

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>

See Independent Auditor's Report