



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

**ADAMS AVENUE
BUSINESS ASSOCIATION, INC.**
Audited Financial Statements
For the Year Ended
December 31, 2020

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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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Report on Summarized Comparative Information

We have previously audited Adams Avenue Business Association, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Compliance on page 12, the Statement of Expenditures - Budget vs. Actual, City of San Diego Contracts on page 13, and the Schedule of Event Revenue and Expenses on page 14 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.

May 6, 2021



Sonnenberg & Company, CPAs

ADAMS AVENUE BUSINESS ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Comparative Totals for December 31, 2019)

Assets	2020	2019
Cash	\$ 103,108	\$ 97,571
Investment - Deposit of Certificates	205,715	201,936
Contracts Receivable	14,697	16,206
Grants Receivable	5,000	35,491
Interest Receivable	-	2,452
Other Receivable	-	1,675
Other Assets	-	3,555
Total Assets	\$ 328,520	\$ 358,886
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ -	\$ -
Deferred Revenue	14,698	9,138
Total Liabilities	14,698	9,138
Net Assets		
Without Donor Restrictions		
Undesignated	63,822	99,748
Designated by the Board for Capital Projects and Others	250,000	250,000
Total Net assets	313,822	349,748
Total Liabilities and Net Assets	\$ 328,520	\$ 358,886

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, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

Revenue and Support	2020	2019
Contracts	\$ 108,292	\$ 149,375
Grants	35,112	56,009
Events	-	304,602
Other Program Revenue	18,515	37,403
Investment Income	<u>1,527</u>	<u>8,277</u>
Total Revenue and Support	163,446	555,666
Expenses		
Program Services	183,046	525,318
Supporting Services		
Management and General	<u>16,326</u>	<u>29,036</u>
Total Expenses	<u>199,372</u>	<u>554,354</u>
Change in Net Assets	(35,926)	1,312
Net Assets, Beginning of Year	<u>349,748</u>	<u>348,436</u>
Net Assets, End of Year	<u>\$ 313,822</u>	<u>\$ 349,748</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, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	<u>Program Services</u>	<u>Management and General</u>	<u>2020 Total</u>	<u>2019 Total</u>
Personnel and Related				
Salaries and Wages	\$ 67,890	\$ 7,543	\$ 75,433	\$ 174,189
Payroll taxes	5,787	643	6,430	14,793
Employee Benefits	15,374	1,708	17,082	20,284
Payroll Processing Fees	1,703	189	1,892	3,463
Total Personnel and Related	<u>90,754</u>	<u>10,083</u>	<u>100,837</u>	<u>212,729</u>
Non-Personnel				
Accounting and Audit	14,988	1,665	16,653	17,190
Advertising and Marketing	28,392	-	28,392	39,873
Board and Committee Meetings	2,327	258	2,585	5,454
Contracted Services	-	-	-	698
Events	7,676	-	7,676	229,597
Dues and Subscriptions	726	80	806	1,036
Insurance	4,165	462	4,627	4,442
Miscellaneous	-	-	-	264
Maintenance	28,017	3,113	31,130	33,972
Postage and Delivery	1,346	149	1,495	3,872
Supplies and Office Expenses	720	79	799	1,814
Telephone	3,935	437	4,372	3,413
Total Non-Personnel	<u>92,292</u>	<u>6,243</u>	<u>98,535</u>	<u>341,625</u>
Total Functional Expenses	<u>\$ 183,046</u>	<u>\$ 16,326</u>	<u>\$ 199,372</u>	<u>\$ 554,354</u>

The accompanying notes are an integral part of these financial statements

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (35,926)	\$ 1,312
(Increase) / Decrease in:		
Receivable	36,127	(23,772)
Other Assets	3,555	(143)
Increase / (Decrease) in:		
Accounts Payable and Accrued Expenses	-	(8,933)
Deferred Revenue	5,560	(6,676)
	9,316	(38,212)
Cash Flows from Investing Activities:		
Purchase of CDs	-	(200,000)
Reinvestment of CD Interest	(3,779)	(1,936)
	(3,779)	(201,936)
Net Increase (Decrease) in Cash	5,537	(240,148)
Cash, Beginning of year	97,571	\$ 337,719
Cash, End of Year	\$ 103,108	\$ 97,571

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, 2020

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. In 2020, the COVID-19 outbreak in the United States has caused business disruption. As a result, all special events were canceled in 2020.

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. In the year ended December 31, 2020, the board designated \$250,000 for capital projects and other programs.

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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, 2020.

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, 2020

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, 2020, the total deferred contract income was \$14,698.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Change in Accounting Principle

During the year ended December 31, 2020, the Association adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605) and ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606). Analysis of various provisions of these updates resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required 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, 2019 from which the summarized information was derived.

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 2 Summary of Significant Accounting Policies, continued

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 3 Concentrations of Credit Risk

The Association maintains cash and certificates of deposit balance at financial institutions. Cash and certificates of deposit balance in accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, the uninsured balance is \$8,502.

All receivables were from the City of San Diego and fully collected subsequent to the year end. As of December 31, 2020, the Association had no significant concentrations of credit risk.

Note 4 Investments - Certificates of Deposit

Three certificates of deposit with fair value of \$205,715 at December 31, 2020 are held at a financial institution. The certificates of deposit bear interest rates are from 0.05% and 2.52% with maturity date between January 2021 to April 2021.

Note 5 Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year End

Cash	\$	103,108
Investments		205,715
Accounts Receivable		19,697
		328,520
Total Financial Assets		328,520
Designated by the Board for Capital Projects and Others		(250,000)
Funds Subject to Donor Imposed Restrictions		-
		78,520
Financial Assets Available to Meet General Expenditure Within One Year	\$	78,520

As part of Association's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association invests cash in excess of daily requirement in certificates of deposit.

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 6 **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 7 **Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses required allocation on a reasonable basis that is consistently applied. The expense that are allocated include salaries and wages, benefits, payroll taxes, insurance, office expenses, and other, which are allocated on the basis of time and efforts.

Note 8 **Date of Management Review/Subsequent Events**

The Association has evaluated subsequent events through May 6, 2021, the date the financial statements were available to be issued.

In January 2021, the Association received a Paycheck Protection Program Draw Loan in the amount of \$47,770. The Association expects to satisfy all the conditions for forgiveness of the loan.

In February 2021, the Association received California Relief Grant in the amount of \$15,000.

The spread of a novel strain of Coronavirus (COVID-19) in 2020 has caused a substantial impact on the U.S. economy. There is significant uncertainty around the effects and duration of business interruption related to COVID-19. The extent of the impact on the Association's operations, management, employees, vendors, and patrons, will depend on certain developments, which cannot be determined at this time.

Management is not aware of any other subsequent events that require adjustments to, or disclosures in, the financial statements.

STATEMENT OF COMPLIANCE

May 6, 2021

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

SUPPLEMENTARY INFORMATION

ADAMS AVENUE BUSINESS ASSOCIATION, INC.

STATEMENT OF EXPENDITURES

Budget vs Actual

City of San Diego Contracts & Grants- BID, MAD, SBEP & CCSD/TOT

July 2019 through June 2020

	BID			MAD		SBEP			CCSD		
	Actual	Budget	Over (Under) Budget	Actual	Budget (not required)	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget
Income											
41000 · SBEP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,164	\$ 22,000	\$ (836)	\$ -	\$ -	\$ -
42000 · MAD	-	-	-	56,265	-	-	-	-	-	-	-
42020 · BID	50,039	60,000	9,961	-	-	-	-	-	-	-	-
40040 · CAA	-	-	-	-	-	-	-	-	-	-	-
Total Income	50,039	60,000	9,961	56,265	-	21,164	22,000	(836)	-	-	-
Expenses											
50020 · Personnel											
50027 · Office Staffing	24,047	26,000	1,953	15,161	-	17,612	22,000	(4,388)	-	-	-
Total 50020 · Personnel	24,047	26,000	1,953	15,161	-	17,612	22,000	(4,388)	-	-	-
52010 · Maintenance											
52035 · Supplies	688	-	(688)	216	-	-	-	-	-	-	-
52025 · Utilities(Water/Electric)	-	-	-	3,422	-	-	-	-	-	-	-
52020 · Contract Labor	-	-	-	25,793	-	-	-	-	-	-	-
Total 52010 · Maintenance	688	-	(688)	29,431	-	-	-	-	-	-	-
53100 · Special Events											
53115 · Promotional	1,971	-	(1,971)	-	-	-	-	-	-	-	-
53125 · Contract Labor	-	-	-	-	-	-	-	-	-	-	-
53105 · Equipment Rental	-	-	-	-	-	-	-	-	-	-	-
Total 53100 · Special Events	1,971	-	(1,971)	-	-	-	-	-	-	-	-
50040 Operating											
50110 · Insurance	2,168	-	(2,168)	1,851	-	-	-	-	-	-	-
50210 · Office Supplies	561	-	(561)	131	-	-	-	-	-	-	-
50125 · Accounting	6,462	-	(6,462)	6,572	-	3,552	-	3,552	-	-	-
50060 · Dues and Subscriptions	403	-	(403)	150	-	-	-	-	-	-	-
50090 · Telephone	1,634	-	(1,634)	1,040	-	-	-	-	-	-	-
50070 · Postage and Delivery	1,317	-	(1,317)	39	-	-	-	-	-	-	-
Total 50040 Operating	12,545	20,000	7,455	9,783	-	3,552	-	3,552	-	-	-
51510 · Marketing											
51555 · Graphic Design	-	2,200	2,200	-	-	-	-	-	-	-	-
51530 · Website/Social Media	-	2,800	2,800	-	-	-	-	-	-	-	-
51535 · Advertising/Promotion	10,789	3,200	(7,589)	1,890	-	-	-	-	-	-	-
51560 · Holiday on Adams	-	3,800	3,800	-	-	-	-	-	-	-	-
Total 51510 · Marketing	10,789	12,000	1,211	1,890	-	-	-	-	-	-	-
CONTINGENCY	-	2,000	2,000	-	-	-	-	-	-	-	-
Total Expense	50,040	60,000	9,960	56,265	-	21,164	22,000	(836)	-	-	-
Net Income	\$ (1)	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
Schedule of Event Revenue and Expenses
For the Year Ended December 31, 2020

	<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	\$ -	\$ -	\$ -	\$ -	\$ -
Ticket Sales	-	-	-	-	-
Sales of Merchandise	-	-	-	-	-
Sponsorship	-	-	-	-	-
Other Income	-	-	-	-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
Equipment Rental					-
Advertising	750	-	1,545	1,000	3,295
Contract Labor	3,150	-	(200)	-	2,950
Other Event Expenses	375	-	1,056	-	1,431
	<u>4,275</u>	<u>-</u>	<u>2,401</u>	<u>1,000</u>	<u>7,676</u>
Net Revenue	<u>\$ (4,275)</u>	<u>\$ -</u>	<u>\$ (2,401)</u>	<u>\$ (1,000)</u>	<u>\$ (7,676)</u>

For the Year Ended December 31, 2019

	<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	\$ 2,520	\$ -	\$ 162,193	\$ -	\$ 164,713
Ticket Sales	340	35,004	-	9,507	44,851
Sales of Merchandise	404	-	73,579	-	73,983
Sponsorship	6,000	-	-	-	6,000
Other Income	15,055	-	-	-	15,055
Total Revenue	<u>24,319</u>	<u>35,004</u>	<u>235,772</u>	<u>9,507</u>	<u>304,602</u>
Expenses:					
Equipment Rental	2,115	1,758	36,029	600	40,502
Advertising	8,295	7,534	20,532	3,483	39,844
Contract Labor	5,636	600	65,243	790	72,269
Music & Entertainment	13,550	-	28,625	-	42,175
Other Event Expenses	3,358	1,869	25,542	4,038	34,807
	<u>32,954</u>	<u>11,761</u>	<u>175,971</u>	<u>8,911</u>	<u>229,597</u>
Net Revenue	<u>\$ (8,635)</u>	<u>\$ 23,243</u>	<u>\$ 59,801</u>	<u>\$ 596</u>	<u>\$ 75,005</u>

See Independent Auditor's Report