

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

December 10, 2013

La Jolla Village Merchants Association

c/o Sheila Fortune
1162 Prospect Street
La Jolla, CA 92037

Transmittal Letter

Dear Board Members,

Enclosed are the following items presented for review by the management, accounting staff and Board of Trustees:

- Audited Financial Statements for year ending June 30, 2013
- Exempt Organization Tax Returns: Forms 990, 199, and RRF-1
- Management Representation Letter
- SAS 114 Letter - *Required Communication with Those Charged with Governance*
- The Management Advisory Letter
- Audit Adjusting Entries

Please review them and give us a call if you have any questions or possible modifications.

Please have the *Management Representation Letter* signed by the appropriate parties and returned to our offices in the enclosed envelope. A final draft of the audit report can not be issued until the signed *Management Representation Letter* is returned to us.

We look forward to providing continued services in future years.

Very truly yours,


Sonnenberg & Company, CPAs



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

December 10, 2013

To the Management of
La Jolla Village Merchants Association

Statement on Auditing Standards SAS 114: Communications with those Charged with Governance

We have audited the financial statements of La Jolla Village Merchants Association for the year ended June 30, 2013, and have issued our report thereon dated December 10, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 31, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by La Jolla Village Merchants Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2013. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of La Jolla Village Merchants Association and is not intended to be and should not be used by anyone other than these specified parties.



Sonnenberg & Company, CPAs



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

MANAGEMENT ADVISORY LETTER

December 10, 2013

Board of Directors
La Jolla Village Merchants Association

We have presented your audited financial statements for the year ended June 30, 2013 in an accounting format recommended by the AICPA Audit and Accounting Guide for Not-For-Profit Organizations. This letter does not affect our report dated December 10, 2013 on the financial statements.

In planning and performing our audit of the financial statements, we considered the Association's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we noted no deficiencies involving the internal control structure and other operational matters that should be presented for your consideration.

The Standard Recommendations that accompany this letter summarize our suggestions and regulations that apply to most non-profit organizations.

We again wish to thank Sheila Fortune and Maryam Bakhsh of La Jolla Village Merchants Association for their cooperation and assistance given to us during this audit. We have been pleased to be retained as your auditing firm again this year and hope to serve you for years to come.

Very truly yours,


Sonnenberg & Company, CPAs

STANDARD RECOMMENDATIONS

GENERAL GOVERNANCE MATTERS

Audit and/or Finance Committee: The Board of Directors should consider appointing an Audit Committee in order to have direct, confidential communication with the independent auditor. The Audit Committee should have qualified persons with financial experience, and should not include the Executive Director, CFO, or other employees. A Finance Committee is recommended to consider financial oversight of operations, investment policies, major fund-raising, and long-range planning. The Finance Committee should have qualified persons with financial expertise, and should not have a majority of staff members.

Bank reconciliations approval. Monthly bank account reconciliations are the primary internal control procedure relating to the cash accounts. We recommend that bank reconciliation reports be signed and dated by the contracted bookkeeper preparing them. We also recommend that bank reconciliation reports be reviewed and approved by the Executive Director and initialed and dated as an indication of approval, and periodically presented for review and approval by a board officer.

Conflict of Interest Policy: The Board of Directors is required by California Corporation Code 7233 to disclose any conflicts of interest. The IRS asks questions about the Conflict of Interest policy starting with the 2007 Form 990. Therefore, we recommend that the Organization adopt a formal conflict of interest policy aimed at preventing or resolving issues related to potential or actual conflict of interest issues. In addition, the Board and management should be educated about ethics, disclosure, and independence in order to prevent related party transactions, self-dealing, private inurement, and similar issues. If they exist, these transactions must be disclosed to the auditor and, if significant, in the audit report. Such transactions are often scrutinized by the IRS and Attorney General and may be disallowed if the amounts and the business purpose are not clearly identifiable.

Fraud: In 2002, AICPA issued SAS 99, *Consideration of Fraud in a Financial Statement Audit*, requiring auditors to increase their procedures to detect fraud and to discuss the possibility for fraud with the client during the audit. The Board of Directors, management, and employees are encouraged to contact the auditor if they feel fraud exists or could potentially exist. However, an audit is still not guaranteed to detect fraud, even if it exists. Management and the Board of Directors are responsible to design internal controls that protect against fraud.

In-kind Donations: Many nonprofit organizations receive significant amounts of donated materials, property, and services. Often, these donations have a financial value that can be recorded in the financial statements if accurate records are provided to the auditor:

- Donated Materials: Description, date received, estimated fair market value
- Donated Property: Description, date received, estimated fair market value
- Donated Services: Description, number of hours, estimated hourly rate, program benefited

Insurance: Insurance coverage should be reviewed annually to ensure adequate coverage types and amounts, including General Liability, Professional Liability, Property, Directors & Officers, Volunteers, Special Events, etc. Directors and Officers coverage would protect the Organization and individual board members and officers from personal liability for lawsuits against the Organization. All other insurance coverage should be reviewed annually to ensure adequate coverage. The additional cost of insurance may be negligible when compared to the liability exposure.

Investment Policy: The Board should consider adopting a formal investment policy aimed at guiding management in issues related to investment risk, authorization, limits, and related issues.

Minutes: Board of Directors meetings should be held regularly and proper minutes should be kept of all meetings. These minutes should indicate that the Board documents significant financial information, such as: approval of the budget, financial statements, replacement fund transactions, write-offs of uncollectible receivables, capital expenditures, contract approvals, related party transactions, insurance settlements, and litigation matters.

Nonprofit Integrity Act: This landmark legislation went into effect January 1, 2005. Most nonprofit organizations in California are impacted, with a few exceptions: religious organizations, educational institutions, and hospitals. There are two parts to the legislation and there are some financial thresholds for some provisions:

Financial

1. All Charities
 1. Accelerated Registration Requirements: Must register with Attorney General within 30 days of operations
 2. Executive compensation must be reviewed and approved by the Board
 3. Audit Public Disclosure. If already having an audit, must provide upon request, same as Form 990
2. Charities with Gross Revenue over \$2 million (excludes government grants)
 1. Independent audit required
 2. Auditor Independence standards set by Government Auditing Standards
 3. Audit Public Disclosure. Must provide upon request, same as Form 990. Due no later than 9 months after FYE
 4. Audit Committee Required: Must be independent of Finance Committee, cannot include CEO, CFO, Executive Director, Staff, Finance Committee Chair.
 5. Audit Committee Duties: Recommend hiring/firing of auditor, confer with auditor regarding financial affairs, must review and approve audit, approve non-audit services. Cannot be same as Finance Committee.

Fundraising

3. Applies to Charitable Organizations, Commercial Fundraisers, Fundraising Counsel
4. Twelve Prohibited Acts. Generally: do not mislead, misrepresent, misappropriate, over estimate, exploit or commit fraud.



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

December 10, 2013

La Jolla Village Merchants Association
Attn: Sheila Fortune
1162 Prospect Street
La Jolla, CA 92037

Tax Returns: Year Ended June 30, 2013

INSTRUCTIONS FOR FILING EXEMPT ORGANIZATION RETURNS:

GENERAL INSTRUCTIONS:

Review all tax forms and attachments before signing returns.
Returns marked "Taxpayer Copy" are for your permanent tax file.
Returns are on extension and due on February 15, 2014. If there is a reason they cannot be filed by that date please call and request an additional extension. Penalties for late filing can be severe.

Form 990, Schedules D, G, O – Return of Organization Exempt from Income Tax

Sign Page 1
Mail to IRS in envelope provided
No tax due

Form 199 - California Exempt Organization Annual Information Return

Sign Page 1
Mail to Franchise Tax Board in envelope provided
No tax due

PUBLIC INSPECTION

Form 990 is available for public inspection. The donor information on Schedule B is not for public inspection, donor names & addresses should be blocked out on public copies.

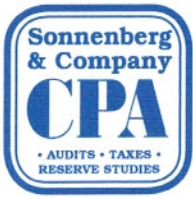
Three methods to meet IRS public inspection requirements:

1. Most 501c3 Form 990s are sent from the IRS to www.guidestar.com, usually within 60 days of filing. A digital copy of each return can be viewed and printed from the Guidestar website.
2. If requested, a nonprofit should provide a copy of a tax return to any individual requesting a copy. A nominal copy charge and/or mailing charge is allowed under IRS guidelines.
3. A nonprofit may prepare a PDF copy of the return and email to requestor.

Sincerely,



Sonnenberg & Co. CPAs



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

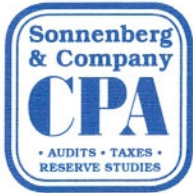


Leonard C. Sonnenberg, CPA

La Jolla Village Merchants Association
Audited Financial Statements
June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-10
ACCOMPANYING INFORMATION	
Schedule of Expenditures – Budget vs Actual	11
Statement of Compliance	12



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
La Jolla Village Merchants Association

We have audited the accompanying financial statements of La Jolla Village Merchants Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2013, 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 Schedule of Expenditures - Budget vs. Actual, City of San Diego Contracts SBEP and BID on page 11 and the Statement of Compliance 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.

December 10, 2013


Sonnenberg & Company, CPAs

La Jolla Village Merchants Association
STATEMENT OF FINANCIAL POSITION
June 30, 2013

	LJVMA	LJCAP	Total
ASSETS:			
Cash and cash equivalent	\$ 25,679	\$ 8,410	\$ 34,089
Cash - City of San Diego	30,066	14,000	44,066
Accounts receivable	13,048	2,765	15,813
Security Deposit	9,500		9,500
Website	21,050		21,050
Furniture & Equipment	39,363		39,363
Less: (accumulated depreciation)	<u>(20,399)</u>		<u>(20,399)</u>
TOTAL ASSETS	\$ <u>118,307</u>	\$ <u>25,175</u>	\$ <u>143,482</u>
 NET ASSETS:			
Unrestricted	<u>\$ 118,307</u>	<u>\$ 25,175</u>	<u>\$ 143,482</u>
TOTAL NET ASSETS	\$ <u>118,307</u>	\$ <u>25,175</u>	\$ <u>143,482</u>

The Accompanying Notes are an Integral Part of the Financial Statements

La Jolla Village Merchants Association

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2013

	12 Months LJVMA	6 Months LJCAP	Total Funds
Revenue and support:			
City of San Diego - BID	\$ 144,288	\$	\$ 144,288
City of San Diego - SBEP	23,582		23,582
Advertising Income	77,925		77,925
Parking Pass		42,110	42,110
Event Income	18,563		18,563
Donations	27,057		27,057
Membership	3,650		3,650
Rent Income	3,300		3,300
Other income	6,899	18	6,917
Total revenue and support	305,264	42,128	347,392
Expenses:			
Program Services	273,570	34,537	308,107
Supporting Services	100,543	5,088	105,631
Total expenses	374,112	39,625	413,737
Change in net assets	\$ (68,848)	\$ 2,503	\$ (66,345)
Prior Period Adjustments	123,719		123,719
Addition of Fiduciary Agency		22,672	22,672
Net assets, beginning of year	63,436	-	63,436
Net assets, end of year	\$ 118,307	\$ 25,175	\$ 143,482

The Accompanying Notes are an Integral Part of the Financial Statements

La Jolla Village Merchants Association
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013

	<u>12 Months</u> LJVMA Program Services	<u>12 Months</u> LJVMA Support Services	<u>6 Months</u> LJCAP Program Services	<u>6 Months</u> LJCAP Support Services	<u>Total</u>
Expenses:					
Payroll					
Salaries and wages	\$ 77,096	\$ 25,699	\$	\$	\$ 102,794
Payroll taxes	6,550	2,183			8,733
Employee Benefits	1,313	438			1,750
Insurance - workers comp	1,002	334			1,336
Total Payroll	<u>85,960</u>	<u>28,653</u>	<u>-</u>	<u>-</u>	<u>114,613</u>
Computer	2,625	875			3,500
Contract services	23,793	7,931	3,442	3,443	38,609
Depreciation	10,130	3,840			13,969
Design/Beautification	61,405				61,405
Dues and Subscriptions		3,005			3,005
Election Costs		3,154			3,154
Event expenses		31,314			31,314
Insurance - general liability	2,732	911			3,642
Office Expense		8,310		270	8,580
Outreach/Promotion	49,276				49,276
Office Equipment	174	58			232
Parking Passes			31,095		31,095
Professional fees	1,229	410			1,639
Rent	32,610	10,870		1,375	44,855
Telephone/Internet	2,468	823			3,290
Utilities	1,169	390			1,559
Total Expenses	<u>\$ 273,570</u>	<u>\$ 100,543</u>	<u>\$ 34,537</u>	<u>\$ 5,088</u>	<u>\$ 413,737</u>

The Accompanying Notes are an Integral part of the Financial Statements

La Jolla Village Merchants Association
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

Cash flows from operating activities:	
Change in net assets	\$ (66,345)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,969
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	<u>(40,024)</u>
Net cash provided (used) by operating activities	<u>(92,400)</u>
Cash flows from investing activities:	
Purchase of fixed assets	(11,106)
Security Deposits	<u>(9,500)</u>
Net cash provided (used) by investing activities	<u>(20,606)</u>
Cash flows from financing activities:	
Prior Funds Held by City of San Diego - LJVMA Overage	81,810
Prior Funds Held by City of San Diego - LJVMA Advance	46,707
Prior Funds Held by City of San Diego - LJCAP	14,000
Prior Funds Transferred - LJCAP	8,672
Prior Period Adjustment - Receivable	<u>(4,798)</u>
Net cash provided (used) by financing activities	<u>146,391</u>
Net increase (decrease) in cash and cash equivalents	33,385
Cash and cash equivalents, beginning of year	<u>44,770</u>
Cash and cash equivalents, end of year	<u><u>\$ 78,155</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements.

LA JOLLA VILLAGE MERCHANTS ASSOCIATION

Notes to Financial Statements
For the Year Ended June 30, 2013

Note 1. Organization and Nature of Activities

The La Jolla Village Merchants Association (the "Association") was formed in May 2011 as a non-profit mutual benefit corporation. Its purpose is to enhance the growth and improvement of the La Jolla downtown area, through partnerships created with the community's business and property owners. These partnerships provide the means to promote economic growth while preventing deterioration of the community.

Currently, the Association administers the La Jolla Business Improvement District, in partnership with the City of San Diego. This District includes businesses and property owners located within a 30-block area of the District. The Association's Board of Directors includes owners of businesses or property located within the Improvement District as well as Associate members. The Association's activities include promotion, economic restructuring, organization via newsletter and directory, design, Small Business Enhancement Program Funds, and promotional materials.

The Association became the Fiduciary Agent for the La Jolla Coastal Access and Parking (LJCAP) Agency on January 1, 2013. The Association manages an employee discounted parking program in La Jolla.

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 accounts 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.

LA JOLLA VILLAGE MERCHANTS ASSOCIATION
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 2. Summary of Significant Accounting Policies, continued

Accounting, 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 restriction 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 as net assets released from program or capital restrictions. The Association has no temporarily restricted net assets at June 30, 2013.

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 had no permanently restricted net assets at June 30, 2013.

Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code and section 23701(e) of the California Revenue and Taxation Code.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Certain expenses are based on payroll and other expenses are based on space allocations or other estimates.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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

For purposes of the statements of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

LA JOLLA VILLAGE MERCHANTS ASSOCIATION

Notes to Financial Statements
For the Year Ended June 30, 2013

Note 2. Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Concentration of Credit Risk

Concentration of credit risks with respect to trade receivables are limited, as the majority of the Association's receivables consist of earned fees from reimbursement-contracts granted by the City of San Diego. In the year ended June 30, 2013 the Association received funds from the City of San Diego in the amount of \$200,702. Of this amount, \$147,667 was from the current year BID and SBEP contracts and \$53,015 from prior period funds disbursed by the City of San Diego. These amounts source comprises approximately 65% of gross receipts for the year.

Property and equipment

Property and equipment are recorded at purchased cost or at fair value at the date of donation if donated. Maintenance and repairs costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. During the year ended June 30, 2013, the Association purchased the following capital assets

Televisions	\$ 4,857
Office Furniture	<u>6,942</u>
Total	<u>\$ 11,799</u>

However, the City has retained title to these assets and in the event of contract non-compliance or termination, the City may recover the capital equipment and transfer it to another entity. The Association's policy is to capitalize such assets in accordance with U.S. generally accepted accounting principles. Accordingly this equipment has been capitalized on the statement of financial position and is being depreciated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Capitalized equipment - property and equipment	3-5 years
--	-----------

Depreciation expense for the year ended June 30, 2013 amounted to \$13,969.

Donated Goods and Services

Donated goods and services are recognized as contributions in the period received 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.

LA JOLLA VILLAGE MERCHANTS ASSOCIATION
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 3. Commitments and Contingencies

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 4. Service Contracts - Grants

LJVMA has an annual service contract with the City of San Diego through the La Jolla Business Improvement District (BID) to enhance the growth and improvement of the La Jolla downtown area. The BID estimates the Assessments to be collected in a year and LJVMA makes its budget based on that amount. For the year ended June 30, 2013, the estimated Assessments were \$163,000, however only \$144,288 was collected by the City of San Diego and transferred to the LJVMA. At June 30, 2013, the service contract had an account receivable of \$13,048.

LJVMA had funds on hand at the City of San Diego at June 30, 2012 in the amount of \$128,517. These funds were not disclosed on the June 30, 2012 financial statement. The June 30, 2012 financial statement had an accounts receivable in the amount of \$22,496, when the actual value of the accounts receivable was \$17,698. The net value of these adjustments is \$123,719 ($\$128,517 - \$22,496 + \$17,698$), which is an increase in the beginning Net Assets.

LJVMA has a Small Business Enhancement Program (SBEP) Grant with the City of San Diego. The grant was for \$23,582 and was paid in monthly installments. The grant was to be used only for payroll, and payroll taxes, and fringe benefits.

Note 5. Date of Management's Review

The Association's management has evaluated subsequent events through December 10, 2013, 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.

Note 6. Transfer of Net Assets

The beginning Net Assets of LJCAP were added to the Net Assets of LJVMA as of January 1, 2013. The total of the Net Assets at the time of the transfer were \$22,672.

La Jolla Village Merchants Association
SCHEDULE OF EXPENDITURES
 Budget vs Actual
 City of San Diego Contracts - SBEP and BID
 July 2012 through June 2013

	<u>BID Funds</u>			<u>SBEP</u>		
	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget
Funds Available						
BID Income	\$ 144,288	\$ 163,000	\$ (18,712)	\$	\$	\$
BID - Prior Years Overage	81,810	90,000	(8,190)			
BID - Prior Years Advance	46,707		46,707			
SBEP				23,582	23,582	-
Total Funds Available	<u>272,805</u>	<u>253,000</u>	<u>19,805</u>	<u>23,582</u>	<u>23,582</u>	<u>-</u>
Personnel						
Salaries	58,842			21,992		
Payroll Taxes	5,017			1,528		
Benefits	4,564			62		
Total Personnel	<u>68,423</u>	<u>55,200</u>	<u>13,223</u>	<u>23,582</u>	<u>23,582</u>	<u>-</u>
Office Administration						
Accounting/Bookkeeping	31,484					
Audit	3,500					
Cell Phone	1,488					
Dues/Subscriptions/Fees	1,959					
Election Costs	3,155					
Insurance	3,642					
Miscellaneous	2,249					
Office Supplies	2,560					
Professional Fees	1,235					
Rent	18,340					
Telephone	1,148					
Total Office Administration	<u>70,760</u>	<u>48,300</u>	<u>22,460</u>			
Design						
Banners	10,529					
Belvedere Promenade	4,750					
Benches	1,114					
Decorative (Roof Line) Lighting	21,060					
Landscaping	19,206					
Signage	4,670					
Total Design	<u>61,329</u>	<u>82,000</u>	<u>(20,671)</u>			
Special Events	19,464	22,500	(3,036)			
Outreach and Promotion						
Marketing / Newsletter	18,225					
Website Maintenance	11,741					
Total Outreach and Promotion	<u>29,966</u>	<u>22,000</u>	<u>7,966</u>			
Contingency	9,500	23,000	(13,500)			
Total Expenditures	<u>259,442</u>	<u>253,000</u>	<u>6,442</u>	<u>23,582</u>	<u>23,582</u>	<u>-</u>
	<u>\$ 13,363</u>	<u>\$ -</u>	<u>\$ 13,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report