



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

**La Jolla Village Merchants Association**  
Audited Financial Statements  
June 30, 2018

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## 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 (LJVMA, a nonprofit organization), which comprise the statement of financial position as of June 30, 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 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 LJVMA as of June 30, 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.

***Report on Summarized Comparative Information***

We have previously audited LJVMA's June 30, 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***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 12 and the Statement of Compliance 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 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.

July 27, 2018

  
Sonnenberg & Company, CPAs

**La Jolla Village Merchants Association**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2018  
(With Comparative Totals for 2017)

	2018			2017
	LJVMA	LJCAP	Total	Total
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 50,028	\$ 12,879	\$ 62,907	47,855
Accounts Receivable	667	5,050	5,717	14,709
Accounts Receivable - City of San Diego		18,803	18,803	24,000
Prepaid Insurance	3,602		3,602	2,965
Security Deposits	1,842		1,842	-
Furniture & Equipment	39,363		39,363	39,363
Website	21,050		21,050	21,050
Less: Accumulated Depreciation	(60,413)		(60,413)	(59,302)
<b>TOTAL ASSETS</b>	<b>\$ 56,139</b>	<b>\$ 36,732</b>	<b>\$ 92,871</b>	<b>\$ 90,640</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 114	\$	\$ 114	\$ 982
Prepaid Income	1,000		1,000	-
<b>TOTAL LIABILITIES</b>	1,114	-	1,114	982
<b>NET ASSETS:</b>				
Unrestricted	55,025	36,732	91,757	89,658
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 56,139</b>	<b>\$ 36,732</b>	<b>\$ 92,871</b>	<b>\$ 90,640</b>

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, 2018  
(With Comparative Totals for 2017)

	2018			2017
	LJVMA	LJCAP	Total	Total
<b>Revenue and support:</b>				
City of San Diego - BID	\$ 170,027	\$	\$ 170,027	\$ 174,760
City of San Diego - SBEP	21,787		21,787	21,829
City of San Diego - BID Technical Assist	5,000		5,000	5,000
City of San Diego - LJCAP		18,803	18,803	24,000
Program - Sparkle and Shine	5,528		5,528	20,154
Program - Banner	12,858		12,858	17,939
Parking Pass		58,620	58,620	62,400
Event Income	1,577		1,577	7,450
Donations	8,410		8,410	2,936
Other Income	2,349		2,349	450
<b>Total revenue and support</b>	227,536	77,423	304,959	336,918
<b>Expenses:</b>				
Program Services	194,533	53,365	247,898	246,525
Supporting Services	51,304	3,658	54,962	54,090
<b>Total expenses</b>	245,837	57,023	302,860	300,615
<b>Change in net assets</b>	\$ (18,301)	\$ 20,400	\$ 2,099	\$ 36,303
<b>Interfund Transfer</b>	20,400	(20,400)	-	-
<b>Net assets, beginning of year</b>	52,926	36,732	89,658	53,355
<b>Net assets, end of year</b>	\$ 55,025	\$ 36,732	\$ 91,757	\$ 89,658

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, 2018  
(With Comparative Totals for 2017)

	2018				2017	
	LJVMA Program Services	LJVMA Support Services	LJCAP Program Services	LJCAP Support Services	Total	Total
<b>Expenses:</b>						
Payroll						
Salaries and Wages	\$ 82,908	\$ 27,636	\$	\$	\$ 110,544	\$ 115,239
Payroll Taxes	7,286	2,429			9,714	10,223
Insurance - Workers Comp	2,930	977			3,906	462
Employee Benefits	5,930	1,977			7,907	6,928
Total Payroll	<u>99,053</u>	<u>33,018</u>	-	-	<u>132,071</u>	<u>132,852</u>
Audit	3,675	925			4,600	4,600
Contract Services	6,469	7,931			14,400	14,400
Depreciation	833	278			1,111	4,904
Design/Beautification						
Sparkle and Shine	13,009				13,009	15,817
Landscaping	15,408				15,408	19,565
Banner / Benches / Other					-	5,512
Dues and Subscriptions	1,501	500			2,001	1,096
Election Costs	861	287			1,148	1,926
Event Expenses	16,097				16,097	10,623
Insurance - General Liability	3,917	1,306			5,223	7,520
Internet	1,283	428			1,711	1,062
IT - Maintenance	1,388	463			1,850	2,050
Office Expense	2,278	759		358	3,395	3,590
Outreach/Promotion	12,531				12,531	11,627
Office Equipment	362	121			483	483
Parking - Staff	730	243			973	262
Parking Passes			53,365		53,365	48,155
Professional Fees					-	566
Rent	13,512	4,504		3,300	21,316	12,025
Telephone	1,154	385			1,539	1,980
Utilities	472	157			629	-
<b>Total Expenses</b>	<u>\$ 194,533</u>	<u>\$ 51,304</u>	<u>\$ 53,365</u>	<u>\$ 3,658</u>	<u>\$ 302,860</u>	<u>\$ 300,615</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, 2018  
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,099	\$ 36,303
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,111	4,904
Changes in operating assets and liabilities:		
(Increase) Decrease in Accounts Receivable	14,189	(7,545)
(Increase) Decrease in Prepaid Insurance	(637)	2,081
(Increase) Decrease in Prepaid Rent	-	275
Increase (Decrease) in Accounts Payable	(868)	982
Increase (Decrease) in Deferred Income	<u>1,000</u>	<u>(4,672)</u>
<b>Net cash provided (used) by operating activities</b>	<u>16,894</u>	<u>32,328</u>
<b>Cash flows from investing activities:</b>		
Security Deposits	<u>(1,842)</u>	<u>-</u>
<b>Net cash provided (used) by investing activities</b>	<u>(1,842)</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	15,052	32,328
<b>Cash and cash equivalents, beginning of year</b>	<u>47,855</u>	<u>15,527</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 62,907</u>	<u>\$ 47,855</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, 2018

**Note 1.        Organization and Nature of Activities**

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

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

**Note 2.        Summary of Significant Accounting Policies**

**Basis of Presentation**

LJVMA's financial statements have been prepared on the accrual basis of accounting. The BID Agreement requires an audit in accordance with U.S. generally accepted accounting principles (GAAP). However, some portions of the BID Agreement are not in accordance with GAAP. GAAP requires matching revenues and expenses by period, and the BID Agreement does not allow for accounts receivable or accounts payable.

Under the BID Agreement, LJVMA does not have entitlement per se to the BID revenue. Their income source is the City of San Diego and the amount is the funding the City of San Diego provides. Under GAAP, the cash expended in a period should match with the income generated in that period. However, LJVMA does not receive BID Assessments directly from the businesses, it only collects them from the City after the fact. LJVMA does not receive a detailed list of the business or the date of the billing. LJVMA may be collecting funds months after the year end, with no ability to identify the funds as to which month or year they belong. There is no way to determine what they were budgeted to collect and what the write off or bad debt amounts would be. Therefore, BID revenue from the City is recorded only when received.

Funds collected by the City of San Diego for a prior year are not required to be paid to LJVMA. BID Funds which were collected by the City of San Diego and not disbursed by the City of San Diego are considered carryover funds. However, since LJVMA does not have entitlement to the funds they cannot be recorded as accounts receivable. They may receive the funds in the following year, depending on the current terms of the Council approved budget and agreement. The funds would then be then recorded as income in the following year when received.



**La Jolla Village Merchants Association**  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 2. Summary of Significant Accounting Policies (continued)**

**Accounting for Net Assets**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of LJVMA 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.

Temporarily Restricted. LJVMA 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. LJVMA had no temporarily restricted net assets at June 30, 2018.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit LJVMA to expend all of the income (or other economic benefits) derived from the donated assets. LJVMA had no permanently restricted net assets at June 30, 2018.

**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 expense allocations were based on a percentage of payroll and other expense allocations were based on space allocations or other estimates.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with LJVMA's audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**La Jolla Village Merchants Association**  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 2. Summary of Significant Accounting Policies (continued)**

**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, LJVMA considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable**

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

**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 LJVMA.

**Impairment of Long-lived Assets**

LJVMA evaluates its investment in long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use or disposition of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

**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, 2018, LJVMA did not purchase any capital assets.

While 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. LJVMA's policy is to capitalize such assets in accordance with GAAP. Accordingly this equipment has been capitalized on the statement of financial position and is being depreciated. Depreciation expense for the year ended June 30, 2018 was \$1,111 and was provided over the 3-5 year estimated useful lives of the respective assets on a straight-line basis.

**La Jolla Village Merchants Association**  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 3.        Service Contracts - Grants**

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

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, 2018, \$170,027 was collected by the City of San Diego and transferred to LJVMA.

LJVMA has a Small Business Enhancement Program (SBEP) Grant with the City of San Diego. The grant was for \$21,827. The grant was to be used only for payroll, payroll taxes, fringe benefits, and office bookkeeping.

LJVMA has a La Jolla Business Improvement District (BID) Technical Assistance and Bookkeeping Grant with the City of San Diego. The grant was for \$6,300 which included \$1,300 for city event offset costs. However, there were no events including city offset costs and LJVMA was not allowed to claim them. LJVMA claimed a total of \$5,000.

LJVMA has a Corporate Partnership and Development (CPD) with the City of San Diego. The grant funds are received as a reimbursement, Therefore the funds from the Grant year ended June 30, 2017. LJVMA receives the funds for the management of the La Jolla Coastal Access Program.

**Note 4.        Income Tax Status**

LJVMA is a California nonprofit corporation exempt from federal income tax under Internal Revenue Code Section 501(c)(6). The exemption is effective as of December 29, 1989. LJVMA is also exempt from state income taxes under California State Tax Code 23701(e). LJVMA currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

LJVMA's federal and state Exempt Organization Tax Returns are subject to examination, generally for three years after they were filed.

**La Jolla Village Merchants Association**  
Notes to Financial Statements  
For the Year Ended June 30, 2018

**Note 5. Concentration of Credit Risk**

LJVMA maintains its cash in a checking account at two financial institutions. The Federal Deposit Insurance Corporation (FDIC) limit per depositor is \$250,000. LJVMA's cash balance did not exceed the FDIC limit during the fiscal year. Concentration of credit risks with respect to trade receivables are limited, as the majority of LJVMA's receivables consist of earned fees from reimbursement-contracts granted by the City of San Diego.

**Note 6. Concentration of Revenues**

LJVMA received 70% of its revenue from the City of San Diego Contracts and 19% from the LJCAP Parking passes during the year ending June 30, 2018. Discontinuance of these grants could impact LJVMA negatively.

**Note 7. Date of Management's Review**

LJVMA's management has evaluated subsequent events through July 27, 2018, 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 8. Lease Agreements**

An office location was being rented on a month to month lease from a private party, LJVMA's former Board President, at the rate of \$1,500 per month. A new office lease was signed on October 26, 2017 and the office was moved as of December 1, 2017. The lease is a period of 24 months and rent is \$1,798 per month.

LJCAP pays \$275 per month for the lease space.

**Note 9. Interfund Transactions**

LJCAP pays to LJVMA \$1,200 per month beginning in October 2014 for administration.

The total amount to be transferred for the year ended June 30, 2018 was \$14,400. LJCAP actually transferred a total of \$20,400 during the year ended June 30, 2018, which included 5 months of arrears for the year end June 30, 2017.

**La Jolla Village Merchants Association**  
**SCHEDULE OF EXPENDITURES**  
 Budget vs Actual  
 City of San Diego Contracts - SBEP and BID  
 July 2017 through June 2018

	BID Funds			SBEP		
	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget
Funds Available						
BID Income	\$ 150,438	\$ 200,000	\$ (49,562)	\$ -	\$ -	\$ -
BID - Prior Years Overage	19,589	20,000	(411)			
SBEP - M				21,787	21,000	(787)
SBEP - FS				5,000	8,000	3,000
Total Funds Available	<b>170,027</b>	<b>220,000</b>	<b>(49,973)</b>	<b>26,787</b>	<b>29,000</b>	<b>2,213</b>
Personnel						
Salaries and Wages	93,344	71,300		17,200	17,200	-
Payroll Taxes	8,214	10,400		1,500	1,500	
Benefits	9,513	2,300		2,300	2,300	
Total Personnel	111,071	84,000	27,071	21,000	21,000	-
Office Administration						
Accounting/Bookkeeping	11,400	11,400	-	3,000	3,000	-
Audit	4,600	4,500	100			
Depreciation	1,111		1,111			
Dues/Subscriptions/Fees	2,001	2,000	1			
Election Costs	1,148	2,000	(852)			
Equipment & Furniture	483	1,000	(517)			
Insurance	5,223	4,375	848			
Internet	3,561	2,000	1,561			
Office Supplies	3,501	3,525	(24)			
Printing		3,000				
Professional Fees		1,600	(1,600)			
Rent / Utilities	18,525	15,000	3,525			
Office and Cell Phones	1,539	3,000	(1,461)			
Utilities	629		629			
Total Office Administration	53,721	53,400	3,321	3,000	3,000	-
Design						
Decorative (Roof Line) Lighting	13,009	15,000	(1,991)			
Landscaping	11,908	20,000	(8,092)			
Total Design	24,917	35,000	(10,083)	-	-	-
Special Events	16,097	14,300	1,797		3,000	3,000
Outreach and Promotion						
Marketing / Newsletter	6,170	8,500	(2,330)			
IT - Maintenance		1,800	(1,800)			
Website Maintenance	6,361	3,000	3,361		2,000	
Total Outreach and Promotion	12,531	13,300	(769)	-	2,000	-
Contingency	3,500	20,000	(16,500)			
Total Expenditures	<b>221,837</b>	<b>220,000</b>	<b>4,837</b>	<b>24,000</b>	<b>29,000</b>	<b>3,000</b>
	<b>\$ (51,810)</b>	<b>\$ -</b>	<b>\$ (54,810)</b>	<b>\$ 2,787</b>	<b>\$ -</b>	<b>\$ (787)</b>

See Independent Auditor's Report



July 26, 2018

La Jolla Village Merchants Association  
STATEMENT OF COMPLIANCE

To The City of San Diego:

The La Jolla Village Merchants Association is in compliance with all City of San Diego requirements, such as general requirements, compensation and reimbursement, record keeping, and insurance as set forth in the agreements between the City of San Diego and the La Jolla Village Merchants Association.

All required reports and disclosures have been submitted.



Sheila S. Fortune  
Executive Director

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[www.lajollabythesea.com](http://www.lajollabythesea.com)

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