

**San Ysidro Improvement Corporation**  
**Dbá San Ysidro Chamber of Commerce**  
Financial Statements  
For The Year Ended June 30, 2019 and 2018  
Independent Auditors' Report

**San Ysidro Improvement Corporation  
Dba San Ysidro Chamber of Commerce  
Financial Statements  
June 30, 2019 and 2018**

**TABLE OF CONTENTS**

<b><u>Page</u></b>	
1-2	Independent Auditors' Report
3	Statement of Financial Position
4	Statement of Activity
5	Schedule of Functional Expenses
6	Statement of Cash Flows
7-11	Notes to Financial Statements



**Guerrero, Jimenez, Diaz  
& Co. LLP**

A Certified Public Accounting Firm

## **Independent Auditors' Report**

To the Board of Directors  
San Ysidro Improvement Corporation  
San Diego, California

We have audited the accompanying financial statements of San Ysidro Improvement Corporation (a Non-Profit Corporation), which comprise of the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for 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 from 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 San Ysidro Improvement Corporation as of June 30, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis-of-Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note 6, the Corporation has a decrease in Net Assets at June 30, 2019. This factor raises substantial doubt about the Corporation's ability to continue as a going concern. Management has a plan of action that is described in Note 6. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part 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 San Ysidro Improvement Corporation 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Guerrero, Jimenez, Diaz, & Co., LLP  
Certified Public Accountants

San Diego, California  
June 22, 2021

**SAN YSIDRO IMPROVEMENT CORPORATION**  
Statement of Financial Position  
For the Year Ended June 30, 2019 and 2018

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>		
Cash	\$ (627)	\$ 12,414
Accounts Receivable	17,970	11,677
Prepaid Expenses	-	3,450
Total Current Assets	<u>17,343</u>	<u>27,541</u>
<b>Fixed Assets:</b>		
Equipment	25,562	25,562
Accumulated Depreciation	<u>(25,562)</u>	<u>(25,562)</u>
Fixed Assets (Net)	-	-
Deposits	1,000	1,000
<b>Total Assets</b>	<u>\$ 18,343</u>	<u>\$ 28,541</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable	\$ 11,188	\$ 3,760
Deferred Revenue	1,674	4,573
Commission Payable	-	4,306
Total Current Liabilities	<u>12,862</u>	<u>12,639</u>
<b>Long Term Liabilities</b>		
<hr/>		
<b>Total Liabilities</b>	12,862	12,639
<b>Net Assets</b>		
Without Donor Restrictions - Undesignated	5,482	15,902
<b>Total Net Assets</b>	<u>5,482</u>	<u>15,902</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 18,343</u>	<u>\$ 28,541</u>

The accompanying notes are an integral part of these financial statements.

**SAN YSIDRO IMPROVEMENT CORPORATION**  
**Statement of Activity**  
For the Year Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total	2018
<b>Revenue:</b>				
<b>Governmental Funding:</b>				
BID Reimbursements	\$ 157,000		\$ 157,000	\$ 155,430
Re-Development Project	-		-	15,000
Small Business Enhancement Program Grant	17,896		17,896	17,886
Government Grant Income	5,000		5,000	7,200
<b>Total Governmental Funding</b>	<u>179,896</u>	-	<u>179,896</u>	<u>195,516</u>
<b>Other Revenue:</b>				
Special Events	65,722		65,722	46,749
Memberships	128,465		128,465	123,584
Reimbursement of Occupancy Expense	13,060		13,060	14,980
Newsletter/Advertising	-		-	1,400
Donations	3,955		3,955	725
<b>Total Other Revenue</b>	<u>211,202</u>	-	<u>211,202</u>	<u>187,438</u>
<b>Total Revenue</b>	<u>391,098</u>	-	<u>391,098</u>	<u>382,954</u>
<b>Expenses:</b>				
Program	315,114		315,114	278,502
General and Administrative	86,404		86,404	92,834
		-		
<b>Total Expenses</b>	<u>401,518</u>	-	<u>401,518</u>	<u>371,336</u>
<b>Increase/(Decrease) in Net Assets</b>	<u>(10,420)</u>	-	<u>(10,420)</u>	<u>11,618</u>
<b>Net Assets Beginning of Year</b>	<u>15,902</u>	-	<u>15,902</u>	<u>4,284</u>
<b>Net Assets End of Year</b>	<u>\$ 5,482</u>	<u>\$ -</u>	<u>\$ 5,482</u>	<u>\$ 15,902</u>

The accompanying notes are an integral part of these financial statements.

**SAN YSIDRO IMPROVEMENT CORPORATION**  
Schedule of Functional Expenses  
For the Year Ended June 30, 2019 and 2018

	<u>Program</u>	<u>General &amp; Administrative</u>	<u>Total</u>	<u>2018</u>
Salaries & Wages	\$ 103,105	\$ 34,368	\$ 137,473	\$ 137,850
Payroll Taxes	9,468	3,156	12,624	12,617
Health Insurance	10,155	3,385	13,540	10,154
Total Payroll & Related Expenses	<u>122,728</u>	<u>40,909</u>	<u>163,637</u>	<u>160,621</u>
Bank Fees	272	91	362	141
Commissions	14,408	4,803	19,211	19,210
Design Committee	9,375	3,125	12,500	12,500
Dues/Subscriptions	2,362	787	3,149	998
Insurance	1,266	422	1,688	327
Legal Fees	-	-	-	12,164
Meetings	7,415	2,472	9,887	5,522
Miscellaneous	974	325	1,298	-
Phone/Fax	758	253	1,011	3,672
Postage	41	14	55	827
Professional Fees	13,382	4,461	17,842	8,461
Promotions	6,776	2,259	9,035	11,594
Rent & Utilities	13,436	4,479	17,914	13,468
Repairs & Maintenance	30,848	10,283	41,131	36,772
Software/Computer Equipment	3,629	1,210	4,838	3,812
Special Projects/Events	83,851	9,317	93,168	72,117
Supplies	3,189	1,063	4,252	3,406
Travel	405	135	540	4,482
Worker's Compensation	-	-	-	1,242
Total Expenses	<u>\$ 315,114</u>	<u>\$ 86,404</u>	<u>\$ 401,518</u>	<u>\$ 371,336</u>

The accompanying notes are an integral part of these financial statements.

**SAN YSIDRO IMPROVEMENT CORPORATION**  
Statement of Cash Flows  
For the Year Ended June 30, 2019 and 2018

	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ (10,420)	\$ 11,618
Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Decrease/(Increase) in Accounts Receivable	(6,293)	(6,677)
Decrease/(Increase) in Other Receivable	3,450	-
Decrease/(Increase) in Prepaid Expenses	-	(3,330)
Increase/(Decrease) in Accrued Expenses	-	(2,900)
Increase/(Decrease) in Accounts Payable	7,428	1,597
Increase/(Decrease) in Deferred Income	(2,900)	(2,169)
Increase/(Decrease) in Commission Payable	(4,306)	4,306
 Total Adjustments	(2,621)	(9,173)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(13,041)</b>	<b>2,445</b>
<b>Cash Flows from Investing Activities</b>	-	-
<b>Cash Flows from Financing Activities</b>	-	-
 Net Increase/(Decrease) in Cash	(13,041)	2,445
Cash at Beginning of Period	12,414	9,969
Cash at End of Period	\$ (627)	\$ 12,414

The accompanying notes are an integral part of these financial statements.



**San Ysidro Improvement Corporation**  
**Db a San Ysidro Chamber of Commerce**  
Notes to Financial Statements  
June 30, 2019

**NOTE 1 - Summary of Significant Accounting Policies**

**Nature of Business**

San Ysidro Improvement Corporation "The Corporation" is a California non-profit benefit corporation which started operations in February 1999. The purpose of the corporation is to revitalize and promote business improvement within the San Ysidro community through activities which contribute to the economic and promotional well-being of the San Ysidro area of the City of San Diego.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, which are generally from 3 to 7 years. All property and equipment purchased by the Corporation with funds received from the City of San Diego are considered property of the City. If the agreement with the City of San Diego is terminated for any reason, the Corporation is required to deliver such assets to the City of San Diego.

**Income Taxes**

The Corporation was organized as a non-profit Corporation and was granted exemption from Federal and State income taxes under section 501(c)(6) of the Internal Revenue Code and 23701(e) of the State of California Revenue and Taxation Law.

**Method of Accounting**

The financial statements of the Corporation are prepared on the accrual basis of accounting.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements, therefore, actual results could differ from these estimates.

**Basis of Presentation**

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Corporation to report information regarding its financial position and activities according for the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activity.

### **Measure of Operations**

The statement of activity reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Corporation's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

### **Revenue Recognition**

Under the San Diego Ordinance that created the Business Improvement District (BID) the City collects a special assessment on behalf of the BID, which is the major source of funding for the corporation. Such amounts are held by the City on behalf of the Corporation and disbursed monthly in the form of reimbursements for programs and services performed by the Corporation. Other sources of funds are received in the form of grants from the San Diego Small Business Enhancement Fund Program (SBEP). Direct membership assessments made to banks that operate within the business improvement district, special activities and events organized by the corporation to promote the business community.

### **Functional Allocation of Expenses**

The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Corporation are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of programs or supporting service.

### **New Accounting Pronouncement**

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU amends the current nonprofit reporting model and enhances nonprofit Corporations required disclosures. The ASU addresses the complexity and understandability of net asset classification, 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 Corporation has adjusted the presentation of these statements accordingly.

### **Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Corporation recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Corporation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the

statement of financial position but arose after that date and before the financial statements are available to be issued.

The Corporation has evaluated subsequent events through June 22, 2021, which is the date the financial statements are available for issuance and concluded that there were no events or transactions that needed to be disclosed.

In early 2020, the Association was directly impacted by the coronavirus outbreak (COVID-19). On January 31, 2020, U.S. Health and Human Services Secretary declared a public health emergency for the United States. In March 2020, the Governor of California announced that all nonessential businesses were required to shut down operations for a few weeks, with the exception of take-out and delivery services which were allowed to continue.

In response to the Governor's order, the Corporation was negatively affected as mentioned in the following:

	<u>Approximate Loss of Revenues</u>
Memberships	\$45,000
Special Events	60,000

Staff was furloughed May 2020 to March 2021 to reduce expenses as well as health precaution.

**NOTE 2 - Accounts Receivable**

The balance in accounts receivable represents unpaid claims submitted to various agencies of the City of San Diego for expenditures incurred through the end of the fiscal year and other receivables as follows:

	<u>2019</u>	<u>2018</u>
City of San Diego	\$ 3,970	\$ 527
Other Receivables	14,000	11,150
Total	<u>17,970</u>	<u>11,677</u>

**NOTE 3 – Fixed Assets**

Fixed assets consisted of the following at June 30, 2019:

	<u>2019</u>	<u>2018</u>
Signage	\$9,980	\$ 9,980
Maintenance Equipment	4,003	4,003
Office Equipment	<u>11,579</u>	<u>11,579</u>
	25,562	25,562
Less accumulated depreciation	<u>(25,562)</u>	<u>(25,562)</u>
Net Fixed Assets	<u>\$ -</u>	<u>\$ -</u>

#### **NOTE 4 – Liquidity and Availability of Resources**

The Corporation's financial assets available for general expenditure, that is without donor restrictions limiting their use within one year of the statement of position date, are as follows:

Cash and cash equivalents	\$ (627)
Accounts Receivable	<u>17,970</u>
Total financial assets available within one year	<u>17,343</u>
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	-
Amounts unavailable to management without Board of Directors approval:	-
Total financial assets available to management for General expenditure within one year	<u>\$ 17,343</u>

The Corporation maintains policies of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

#### **NOTE 5 – Net Assets Without Donor Restrictions**

The Corporation has undesignated Net Assets without donor restrictions of \$5,482 at June 30, 2019, and \$15,902 at June 30, 2018.

#### **NOTE 6 – Going Concern**

Uncertainty about an Organization's ability to continue as a going concern relates to its ability to continue to meet its obligations as they become due within one year after the date of the financial statements are issued. The Corporation has a decrease in Net Assets of \$10,420, a negative balance of \$627 in cash, \$17,970 in Accounts Receivable, and \$11,188 in Accounts Payable as of June 30, 2019. Therefore, the Corporation is considered at risk of not meeting its obligations within the foreseeable future.

The Corporation's Executive Director explained that the Corporation has initiated changes and procedures to increase Net Assets going forward such as getting new sources of funding and reducing expenses. The Corporation has introduced various new sources of funding such as the Community Memberships Program, Community Festival, and fundraising donations. A task force for member money exchanges was created in September 2019 which will generate additional \$10,000 in revenue per year. The membership database system was updated to allow members to "click and pay", this would make it easier and faster for the Corporation to get paid. In addition, the Corporation hired a new bilingual staff in 2021 to generate more membership revenue.

The Corporation was negatively affected by COVID 19 (see Subsequent Events section of Note 1 above). Management projects revenues to increase in the near future since the COVID19 restrictions were lifted.

#### **NOTE 7 – In-Kind Rent**

The City of San Diego allows the Corporation to lease an office space in one of its' office building free of charge. The City currently rents to non-profits at a rate of \$300 per month. In-Kind rent of \$3,600 was recorded under Reimbursement of Occupancy Expense and Rent & Utilities Expense for the year ending June 30, 2019.

#### **NOTE 8 – Pending Lawsuit**

San Ysidro Improvement Corporation is one of the nonprofit Corporations named as defendants in three lawsuits filed by San Diegans for Open Government (Plaintiff/Petitioner):

The first one was filed in 2014, an additional lawsuit was filed in 2015 which has been consolidated with the original 2014 lawsuit and is considered one lawsuit.

On June 6, 2017, a second lawsuit was filed to challenge the most recent fiscal year which is nearly exactly the same as the 2014 case. The Municipal Defendants have filed a motion with the court to narrow this case down to a single lawsuit (similar to the first case). The Municipal Defendants also filed a motion to consolidate this lawsuit with the 2014 case as it involves exactly the same issues.

The above lawsuits challenge Municipal Defendants' authorization of a variety of tax levies and collections labeled as "assessments" by Municipal Defendants in order to avoid public scrutiny without first obtaining the requisite approval of the voters of the City of San Diego, and the approval of the illegal tax and related contracts in violation of conflict-of-interest laws. Municipal Defendants deny that the challenged assessments are taxes within the relevant definition and that public approval of them is required.

On February 2018, San Diegans for Open Government filed a third lawsuit, petition for Writ of Mandate under the California Public Records Act and Other Laws. On April 19, 2019 the entire consolidated case was stayed pending before the California Supreme Court. As of October 19, 2018, the date the last status conference was held, this matter is still stayed, pursuant to the Court's agreement to stay the matter. A Case Management Conference was held on November 13, 2020 and the trial date is set for December 3, 2021.