

BONK, CUSHMAN, EAGLE & GARCIA
CERTIFIED PUBLIC ACCOUNTANTS

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AN ACCOUNTANCY CORPORATION

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**COLLEGE AREA ECONOMIC
DEVELOPMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
College Area Economic Development Corporation

Opinion

We have audited the accompanying financial statements College Area Economic Development Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Area Economic Development Corporation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of College Area Economic Development Corporation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about College Area Economic Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College Area Economic Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about College Area Economic Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bonk, Cushman, Eagle & Garcia

August 11, 2023

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Cash and Cash Equivalents	\$ 94,051	\$ 75,771
Accounts Receivable	73,578	82,933
Total Current Assets	<u>167,629</u>	<u>158,704</u>
TOTAL ASSETS	<u>\$ 167,629</u>	<u>\$ 158,704</u>
LIABILITIES:		
Accounts Payable	\$ -	\$ 600
Accrued Vacation	2,044	2,044
MAD Advance	100,000	100,000
Total Current Liabilities	<u>102,044</u>	<u>102,644</u>
TOTAL LIABILITIES	<u>102,044</u>	<u>102,644</u>
NET ASSETS:		
Without Donor Restrictions	<u>65,585</u>	<u>56,060</u>
TOTAL NET ASSETS	<u>65,585</u>	<u>56,060</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 167,629</u>	<u>\$ 158,704</u>

The Accompanying Notes are an Integral Part of the Financial Statements

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUE AND SUPPORT		
Government Funding		
City of San Diego - Maintenance Assessment District	\$ 351,055	\$ 394,282
City of San Diego - Business Improvement District	65,824	66,217
City of San Diego - Small Business Enhancement Program	23,037	24,691
Other Grants	16,000	25,000
San Diego County Grants	20,000	15,000
Total Government Funding	475,916	525,190
In Kind Contribution of Facilities	24,717	24,283
Donations	2,000	380
Sponsorships & Mixer Admissions	5,526	1,936
Banner Income	3,500	-
Firestation Innovation Cowork	2,420	-
Insurance Dividend	-	365
Interest Income	189	-
TOTAL REVENUE AND SUPPORT	514,268	552,154
EXPENSES		
Program Expenses	482,758	520,498
General & Administrative Expenses	21,985	24,560
TOTAL EXPENSES	504,743	545,058
CHANGE IN NET ASSETS	9,525	7,096
NETS ASSETS, BEGINNING OF YEAR	56,060	48,964
NET ASSETS, END OF YEAR	\$ 65,585	\$ 56,060

The Accompanying Notes are an Integral Part of the Financial Statements

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Payroll & Related			
Salaries & Wages	\$ 90,363	\$ 12,322	\$ 102,685
Employee Benefits	11,504	1,569	13,073
Payroll Taxes	7,468	1,018	8,486
Total Payroll & Related	<u>109,335</u>	<u>14,909</u>	<u>124,244</u>
Maintenance & Service Contractors	292,822	-	292,822
Rent	25,344	3,456	28,800
Contingency Reserve	13,635	-	13,635
Promotion	7,630	1,346	8,976
Utilities	8,323	-	8,323
Board, Staff & Mixer Expenses	4,845	1,728	6,573
Accounting & Audit	5,000	-	5,000
Insurance	4,671	-	4,671
Office Equipment & Supplies	4,503	-	4,503
Telephone	3,000	-	3,000
Printing	1,234	-	1,234
Repair & Janitorial	1,159	-	1,159
Postage	723	-	723
Dues & Subscriptions	534	82	616
Legal	-	359	359
Merchant Fees	-	105	105
Total Expenses	<u>\$ 482,758</u>	<u>\$ 21,985</u>	<u>\$ 504,743</u>

The Accompanying Notes are an Integral Part of the Financial Statements

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Payroll & Related			
Salaries & Wages	\$ 93,302	\$ 12,723	\$ 106,025
Employee Benefits	12,191	1,662	13,853
Payroll Taxes	8,313	1,134	9,447
Total Payroll & Related	<u>113,806</u>	<u>15,519</u>	<u>129,325</u>
Maintenance & Service Contractors	338,707	-	338,707
Rent	25,344	3,456	28,800
Utilities	7,657	-	7,657
Promotion	6,148	1,082	7,230
Board, Staff & Mixer Expenses	5,266	1,279	6,545
Accounting & Audit	5,000	-	5,000
Insurance	4,686	-	4,686
Contingency Reserve	4,129	-	4,129
Office Equipment & Supplies	3,300	-	3,300
Telephone	3,181	-	3,181
Legal	-	2,994	2,994
Printing	1,242	-	1,242
Postage	1,028	3	1,031
Dues & Subscriptions	504	80	584
Repair & Janitorial	500	-	500
Donations	-	104	104
Merchant Fees	-	43	43
Total Expenses	<u>\$ 520,498</u>	<u>\$ 24,560</u>	<u>\$ 545,058</u>

The Accompanying Notes are an Integral Part of the Financial Statements

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 9,525	\$ 7,096
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable	9,355	(39,111)
Increase (Decrease) in:		
Accounts Payable	(600)	600
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	18,280	(31,415)
Increase (Decrease) in Cash	18,280	(31,415)
Cash & Cash Equivalents, Beginning of Period	75,771	107,186
Cash & Cash Equivalents, End of Period	\$ 94,051	\$ 75,771

The Accompanying Notes are an Integral Part of the Financial Statements

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

Note 1. Nature of Organization

College Area Economic Development Corporation (the “Organization”) is a nonprofit corporation organized pursuant to City Ordinance 18263 which established and defined a parking and business improvement area known as the College Area Business Improvement District under the provisions of the Parking and Business Improvement Area Law of the State of California and enabling ordinances of the City of San Diego for the purpose of promoting events and fostering business/economic development in the City of San Diego area commonly known as the College Area of San Diego.

The Organization’s activities include promotion, economic development, organization via newsletter and directory, design, Small Business Enhancement Program Funds, and promotional materials. In addition, the Organization is responsible for ensuring maintenance including litter control, illegal dump removal, graffiti control, sidewalk safety hazard monitoring, lighting service, tree maintenance, and security.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation: The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

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 without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

Net assets with donor restrictions: net assets with donor-imposed restrictions are the net assets that are contributions subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by the passage of time or can be fulfilled and removed by action of the Organization pursuant to these stipulations. 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.

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

Note 2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued: The Organization reports unconditional contributions restricted by donors as increases in net assets with donor restrictions in the reporting period in which the revenue is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization reports conditional contributions with restrictions by donors as increases in net assets without donor restrictions in the reporting period in which the condition has been satisfied and revenue has been recognized, and when the time restriction ends, or purpose restriction is accomplished.

Cash and Cash Equivalents: The Organization has defined cash and cash equivalents as cash in banks and money market accounts with an initial maturity of three months or less.

Accounts Receivable: Accounts receivables are receivables from cost-reimbursement contracts with the City of San Diego and other invoices to businesses in the district. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of June 30, 2023 and 2022.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair 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. The Organization has no capitalized assets as of June 30, 2023, and 2022, and therefore no depreciation expense for the years ended June 30, 2023, and 2022. All property and equipment purchased by the Organization 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 Organization is required to deliver such assets to the City of San Diego.

Donated Materials and Services: Donated materials and services are recognized as contributions if the materials 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 Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risks: The primary receivable balance outstanding on June 30, 2023 and 2022 consist of governmental contract receivables due from the City of San Diego. Concentration of credit risks with respect to trade receivables are limited, as the majority of the Organization's receivables consist of earned fees from reimbursement-contracts granted by the City of San Diego. Management has determined that all balances are collectible.

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023 and 2022

Note 2. Summary of Significant Accounting Policies, continued

Revenues: The Organization is funded principally by the City of San Diego through the Business Improvement District (BID), the Maintenance Assessment District (MAD), Small Business Enhancement Program Management Grant (SBEP), Transient Occupancy Tax (TOT), and grants. In addition, the Organization operates other projects and programs to promote the business environment in the area and also generates income from these programs.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees and contractors of the Organization providing these services.

Note 3. Income Tax Status

The Organization is a California Not-For-Profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California State Tax Code 23701(d), respectively, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

U.S. generally accepted accounting principles require Organization management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken uncertain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. Management has analyzed tax positions taken by the Organization and has concluded that, as of June 30, 2023, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or that would require disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions. However, no audits for any tax periods are currently in progress.

Note 4. Accounts Receivable

The balance of accounts receivable of \$73,578 and \$82,933 as of June 30, 2023, and 2022, respectively, represent unpaid claims submitted to the City of San Diego for expenditures incurred and a grant through June 30, 2023 and 2022 as follows:

	<u>06/30/2023</u>	<u>06/30/2022</u>
City of San Diego – MAD	\$ 56,165	\$ 76,170
City of San Diego – BID	6,470	6,763
City of San Diego – SBEP	943	-
City of San Diego – Grant	10,000	-
	<u>\$ 73,578</u>	<u>\$ 82,933</u>

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

Note 5. City of San Diego Contracts and MAD - Advance

The MAD contract that the Organization maintains with the City of San Diego is on a reimbursement basis. BID contract funds are advanced to the Organization and monthly reports are submitted to demonstrate how much has been accounted for and how much is remaining, if any, at the end of each month. To allow the Organization to operate efficiently, the City of San Diego provided an advance of MAD funds. The balance of this advance was \$100,000 on June 30, 2023, and on June 30, 2022.

Note 6. Commitments and Contingencies

The Organization'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 Organization has no provisions for the possible disallowance of program costs on its financial statements. Management has submitted all reports required by funding agencies and is not aware of the existence of any potential disallowances.

Note 7. Lease Agreement and Contribution of Facilities

The Organization has previously leased its office space from the City of San Diego through a Right of Entry Permit (Permit). The Permit was for three years and expired on December 31, 2009. The City and the Organization have extended this permit on an annual basis since its expiration. On March 1, 2020, this permit was replaced by a three-year lease. For the period of January 1, 2021, through December 31, 2021, the annual rent was \$3,917.50 or \$326.46 per month. For the period of January 1, 2022, through December 31, 2022, the annual rent was \$4,082.50 or \$340.21 per month. For the period of March 1, 2023, through February 28, 2024, the annual rent is \$4,082.50 or \$340.21 per month. Either party can terminate this lease at any time with six months' advance written notice.

The facility has an estimated area of 1,470 square feet and an estimated rent value of \$2,400 per month for the years ended June 30, 2023, and 2022; the difference between the estimated value and the actual payment is reflected in the financial statements as an In-Kind Contribution of Facilities and is included in Rent Expense. All operating and maintenance expenses for the facilities are the responsibility of the Organization.

During the years ended June 30, 2023 and 2022, the Organization received the following in kind contribution of facilities that have been reflected in the financial statements of the Organization:

	<u>06/30/2023</u>	<u>06/30/2022</u>
In Kind Contribution of Facilities	<u>\$ 24,717</u>	<u>\$ 24,283</u>

COLLEGE AREA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

Note 8. Liquidity and Availability of Financial Assets

The Organization’s working capital and cash flows are relatively consistently throughout the year due to monthly invoicing on the City of San Diego contracts, year-round grant writing, and MAD Advance (see Note 5). To manage liquidity the Organization maintains adequate cash balances.

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>06/30/2023</u>	<u>06/30/2022</u>
Financial assets at year-end	\$ 167,629	\$ 158,704
Less those unavailable for general expenditures within one year: none	_____—	_____—
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 167,629</u>	<u>\$ 158,704</u>

Note 9. Subsequent Events

The management of the Organization have reviewed the results of operations and evaluated subsequent events for the period of time from its year end June 30, 2023, through August 11, 2023, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.