Financial Report

HILLCREST

Business Improvement Association, Inc.

June 30, 2017

WRR
WEST RHODE & ROBERTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Directors
Hillcrest Business Improvement Association, Inc.
San Diego, California

We have audited the accompanying financial statements of Hillcrest Business Improvement Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 principles used and the reasonableness of significant 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 Hillcrest Business Improvement Association, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Hillcrest Business Improvement Association, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

West Rhode & Roberts

WEST RHODE & ROBERTS

San Diego, California
November 13, 2017

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(With Summarized Financial Information for June 30, 2016)

	2017	2016 (Note 8)
ASSETS		
Cash and cash equivalents	$ 91,239	$ 131,006
Accounts receivable	55,764	78,866
Prepaid expenses	18,038	12,513
Property and equipment, net of accumulated depreciation	697	1,394
Total assets	$ 165,738	$ 223,779
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 8,916	$ 15,445
Deferred revenue	31,395	45,038
Total liabilities	40,311	60,483
Net assets:		
Unrestricted	125,427	163,296
Total net assets	125,427	163,296
Total liabilities and net assets	$ 165,738	$ 223,779

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	2017	2016 (Note 8)
REVENUES AND SUPPORT		
Farmers Market income	$ 210,396	$ 225,337
City Fest income	146,166	124,199
BID reimbursement income	98,191	101,135
Pride of Hillcrest/Block Party	86,840	93,946
MAD income	85,230	93,188
Other income	58,371	90,301
Nightmare on Normal Street	43,241	66,282
Taste of Hillcrest	33,312	40,041
Mardi Gras	31,123	-
Taste 'N Tinis	18,208	17,650
Total revenues and support	811,078	852,079
EXPENSES		
Neighborhood outreach and community events	488,082	561,481
MAD	90,183	93,188
Management and general	270,682	292,069
Total expenses	848,947	946,738
Change in net assets	(37,869)	(94,659)
NET ASSETS AT BEGINNING OF YEAR	163,296	257,955
NET ASSETS AT END OF YEAR	$ 125,427	$ 163,296

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	2017	2016 (Note 8)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (37,869)	$ (94,659)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	697	3,712
Change in operating assets and liabilities:		
Accounts receivable	23,102	(30,664)
Prepaid expenses	(5,525)	(636)
Accounts payable and accrued expenses	(6,529)	3,899
Deferred revenue	(13,643)	38,267
Net cash used in operating activities	(39,767)	(80,081)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(2,091)
Net cash used in investing activities	-	(2,091)
Change in cash and cash equivalents	(39,767)	(82,172)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	131,006	213,178
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 91,239	$ 131,006

Note 1. Organization and Significant Accounting Policies

Organization and Activities

Hillcrest Business Improvement Association, Inc. (the Organization) was incorporated in the State of California on March 29, 1984, for the purpose of promoting, improving and fostering business conditions in the City of San Diego in the area commonly known as Hillcrest pursuant to City Ordinance 16481. The Organization established and defined a parking and business improvement area as the Hillcrest Business Improvement District under the provisions of the Parking and Business Improvement Area of Law of 1979 of the State of California and enabling ordinances of the City of San Diego.

Significant Accounting Policies

Method of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation – Net assets and revenues, gains, and other support are classified as unrestricted, temporarily restricted, and permanently restricted based on the existence or absence of donor restrictions on when and how the Organization is to use the net assets. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time. As of June 30, 2017, the Organization had no temporarily restricted assets.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes. As of June 30, 2017, the Organization had no permanently restricted net assets.

Revenue Recognition – Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

The Organization reports contributions as restricted 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 purpose restriction is accomplished, temporarily restricted revenues are reclassified to unrestricted revenues and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as permanently restricted. The income earned from such assets is generally restricted to the purpose designated by the donor.

Contributions of service are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization reports such contributions at their estimated fair value when received. During the year ended June 30, 2017, no material contributions of services were recorded.

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets are transferred.

Cash and Cash Equivalents – The Organization considers all highly liquid debt instruments purchased, with a maturity of three months or less, to be cash equivalents.

Accounts Receivable – Accounts receivable consists mainly of amounts due from city contracts. All accounts receivables are reviewed for collectability and reserves for uncollectible amounts are recorded based on previous experience and history with the contract. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. Management has determined that no allowance is needed for the year ended June 30, 2017.

Property and Equipment – Property and equipment is recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets if cost is greater than $2,000. The Organization expenses all property and equipment purchases under $2,000. Property and equipment is depreciated on a straight-line basis as follows:

Furniture and equipment	5 years
Computers and printers	3 years

Depreciation expense totaled $697 for the year ended June 30, 2017.

Deferred Revenue – Deferred revenue consists of Block Party and City Fest income received in this fiscal year that was not earned until the events occurred in July and August of 2017, after the fiscal year end.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs activities benefited.

Income Tax Status – The Organization is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainties in Income Tax*, sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Organization has reviewed its position for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

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

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 Organization 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 Organization’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 Organization has evaluated subsequent events through November 13, 2017, 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.

Note 2. Fair Value Measurements

Due to the short-term nature of cash equivalents, accounts receivable, prepaid expenses, accounts payable and deferred revenue, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that the Organization would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The standard describes three-tier hierarchy of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Organization's statement of financial position includes cash and cash equivalents which have been considered Level 1 assets and are reported at fair value based on quoted prices.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices.

The management of the Organization is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Organization has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with U.S. GAAP.

Note 3. Accounts Receivable

Accounts receivable consists of the following at June 30, 2017:

Commission for Arts and Culture	$ 22,833
Farmers Market	12,876
Philadelphia Insurance	8,290
TOT City & County Receivable	5,000
MAD reimbursement request	2,765
Other	4,000
	$ 55,764

Note 4. Property and Equipment

Property and equipment consists of the following:

Office furniture and equipment	$ 21,365
Less accumulated depreciation	(20,668)
	$ 697

Note 5. Revenues

The Organization is funded in part by the City of San Diego. The City of San Diego receives funds as a special assessment collected together with business licensing fees from businesses located within the district. In addition, the Organization holds the City Fest annual event and other special events to promote the business and living environment in the area.

Note 6. Lease Agreement

The Organization leases office space under an operating lease. For the year ended June 30, 2017, rent expense totaled $10,954. At June 30, 2017, the minimum lease commitments under the lease agreement are:

Years Ending June 30,	
2018	$ 11,917
2020	11,760
	$ 23,677

Note 7. Concentration of Credit Risk

The Organization, at times, maintains cash balances at a bank in excess of the Federal Deposit Insurance Corporation limit. At June 30, 2017, there were no cash balances in excess of the insured amount.

Note 8. June 30, 2016 Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such prior year 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 the Organization’s financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Certain reclassifications have been made to the summarized 2016 financial information to conform with the classifications adopted for the 2017 financial statements. These reclassifications had no effect on the change in net assets.