



Hillcrest Business Association
Board of Directors Meeting
Public Meeting
November 13, 2012, 5pm
Joyce Beers Center, 1230 Cleveland Ave., San Diego CA 92103

AGENDA

Call to order and introductions	G. Younger	2 minutes
Public comment (1 minute per speaker)		5 minutes
Reports:		
1. President's report	G. Younger	5 minutes
2. Executive Director's report	B. Nicholls	5 minutes
Consent items (action):	G. Younger	5 minutes
1. Approval of minutes ¹		
2. Approval of organizational financials ²		
Beautification Committee items		
1. Flag retirement proposal (action)	B. Nicholls	5 minutes
2. Approval of purchase and installation of holiday wreaths (action)	C. Moreno	10 minutes
Special Event Committee items		
1. Approval of partnership with San Diego LGBT Pride Concerning 2012 Mardi Gras (action) ³	B. Nicholls	10 minutes
2. Approval of logistics contract for Hillcrest Mardi Gras (action) ⁴	B. Nicholls	10 minutes
Marketing Committee items		
1. Approval of radio advertising campaign (action) ⁵	A. Capano	10 minutes
Executive Committee items:		
1. Approval of reimbursement for Hillcrest Homeless Taskforce letter (action)	S. Cute	5 minutes
2. Approval of Hillcrest 2.0 plan update memo ⁶	M. Brennan	10 minutes
3. Acceptance of the FY12 organizational audit ⁷	J. Dicola	5 minutes
Attachments:		
1. October 2012 minutes	4. Logistics contract for Hillcrest Mardi Gras	
2. September 2012 financials	5. Advertising agreement	
3. Partnership agreement with SD LGBT Pride regarding Hillcrest Mardi Gras	6. Hillcrest 2.0 memo	
	7. FY12 draft organizational audit	



BOARD OF DIRECTORS MEETING MINUTES

Tuesday, October 9, 2012
Joyce Beers Community Center
1220 Cleveland Ave., San Diego, CA 92103

Board members in attendance: Ron Baranov, Michael Brennan, Amy Capano, Jillian DiCola, Jonathan Hale, Robert Lane*, Cecelia Moreno*, Alonzo Ortiz, Nicholas Papantonakis*, Eddie Reynoso*, Michael Wright, Dalour Younan, Glenn Younger

Board members absent: Sean Cute, Pete Katz

Staff in attendance: Mary Joseph, Benjamin Nicholls, Lisa Weir

M. Wright called the meeting to order at 6:15 p.m.

Action items

- M. Wright presented the consent agenda, which included the September 2012 Board of Directors' meeting minutes and the August 2012 organizational financials.
 - Motion to approve August 2012 Board of Directors' meeting minutes and the July 2012 organizational financials. J. Hale / R. Baranov. 9/0/0. The motion passed unanimously.
- M. Wright stated that the board has received the results of the HBA elections, including Board of Directors elections, bylaw changes and representatives to the Uptown Community Parking District.
 - Motion to approve the results of the 2012 HBA election and appoint board members Robert Lane, Eddie Reynoso, Cecelia Moreno, and Nicholas Papantonakis, and to appoint board members R. Baranov and D. Younan to the parking district. W. Wright / R. Baranov. 9/0/0. The motion passed unanimously.
- M. Wright called for officer elections for President, Vice President, Treasurer, and Secretary to occur.
 - Motion to nominate G. Younger as President, J. Hale as Vice President, J. Dicola as Treasurer, and S. Cute as Secretary. W. Wright / A. Ortiz. 9/0/0. The motion passed unanimously.

The meeting adjourned at 6:35 p.m.

*Denotes members that were elected as a result of the 2012 board elections.

HBIA
Balance Sheet
As of September 30, 2012

	Sep 30, 12
ASSETS	
Current Assets	
Checking/Savings	
10020 - CHASE - Checking	3.16
10025 - CA. Bank & Trust	40,997.20
10035 - Comerica - Checking	208,275.91
10040 - CHASE - Money Market	
General	80,667.36
Total 10040 - CHASE - Money Market	80,667.36
Total Checking/Savings	329,943.63
Accounts Receivable	
12000 - Accounts Receivable	24,475.88
Total Accounts Receivable	24,475.88
Other Current Assets	
10115 - SBEP City Services	4,620.00
10125 - MAD Receivable	25,943.30
10135 - City Fest Receivable	5,000.00
10145 - Farmers Market Receivable	9,969.09
10155 - Prepaid Expense	2,714.50
10165 - Workers Compensation Deposit	842.00
Total Other Current Assets	49,088.89
Total Current Assets	403,508.40
Fixed Assets	
10200 - Office Furniture & Equipment	13,139.00
10220 - Accumulated Depreciation	-12,792.40
Total Fixed Assets	346.60
TOTAL ASSETS	403,855.00
LIABILITIES & EQUITY	
Liabilities	

HBIA
Balance Sheet
As of September 30, 2012

	<u>Sep 30, 12</u>
Current Liabilities	
Other Current Liabilities	
20210 · Accrued Expenses	23,155.00
20215 · BID Assessment	-1,160.39
20230 · Sales Tax Payable	6,278.00
21000 · Payroll Liabilities	
Vacation Payable	<u>3,681.33</u>
Total 21000 · Payroll Liabilities	<u>3,681.33</u>
Total Other Current Liabilities	<u>31,953.94</u>
Total Current Liabilities	<u>31,953.94</u>
Total Liabilities	31,953.94
Equity	
31100 · Unrestricted Net Assets	376,719.27
Net Income	<u>-4,818.21</u>
Total Equity	<u>371,901.06</u>
TOTAL LIABILITIES & EQUITY	<u><u>403,855.00</u></u>

HBIA
Profit & Loss Budget vs. Actual
 July through September 2012

				TOTAL		
	Sep 12	Budget	Variance	Jul - Sep 12	Budget	Variance
Income						
40015 - CityFest	5,256.70	0.00	5,256.70	137,284.95	130,000.00	7,284.95
40020 - Farmers Market	17,182.10	13,334.00	3,848.10	53,272.11	40,002.00	13,270.11
40040 - MAD	8,978.84	7,515.00	1,463.84	23,018.83	25,981.00	-2,962.17
40045 - MAD Reserve	0.00	2,146.00	-2,146.00	0.00	6,377.00	-6,377.00
40050 - BID	9,887.78	11,659.00	-1,771.22	29,229.36	38,412.00	-9,182.64
40080 - Newsletter/Advertising	0.00	85.00	-85.00	0.00	255.00	-255.00
40090 - Mardi Gras	-500.00	0.00	-500.00	-500.00	0.00	-500.00
40120 - Interest	3.07	100.00	-96.93	9.98	300.00	-290.02
40135 - Hillcrest Hoedown	1,469.50	15,000.00	-13,530.50	11,528.59	33,000.00	-21,471.41
40140 - Banner Space	-52.00	667.00	-719.00	548.00	2,001.00	-1,453.00
40145 - Pride Flag	0.00			7,750.00		
40155 - Pride of Hillcrest	186.75			121,331.61		
40160 - Hillcrest Map.	0.00	720.00	-720.00	600.00	2,160.00	-1,560.00
40180 - Other Income	52.00	167.00	-115.00	104.00	501.00	-397.00
Total Income	42,464.74	51,393.00	-8,928.26	384,177.43	278,989.00	105,188.43
Expense						
50000 - Personnel						
50005 - Salaries	13,196.71	10,300.00	2,896.71	41,226.07	36,900.00	4,326.07
50025 - Employer Taxes - Federal	1,009.55	1,419.00	-409.45	3,153.79	4,257.00	-1,103.21
50035 - Health Insurance	672.93	788.00	-115.07	1,910.79	2,364.00	-453.21
50040 - Workers Comp Insurance	0.00	193.00	-193.00	346.93	579.00	-232.07
Total 50000 - Personnel	14,879.19	12,700.00	2,179.19	46,637.58	44,100.00	2,537.58
50045 - Operating						
50050 - Rent Office Space	723.00	726.00	-3.00	2,892.00	2,178.00	714.00
50055 - Storage	235.00	150.00	85.00	705.00	450.00	255.00
50060 - Accounting	1,833.00	1,834.00	-1.00	5,499.00	5,502.00	-3.00
50065 - Audit	4,500.00	0.00	4,500.00	4,500.00	7,500.00	-3,000.00
50070 - Equipment Purchase	896.95	1,000.00	-103.05	1,282.91	2,000.00	-717.09
50075 - Intern/Consultant	505.00	417.00	88.00	2,270.00	1,251.00	1,019.00
50080 - Bank & Credit Card Charges	65.59	50.00	15.59	81.54	150.00	-68.46
50085 - Repair and Maintenance	70.00	100.00	-30.00	460.00	300.00	160.00
50090 - Office Supplies	682.87	268.00	414.87	834.56	804.00	30.56

HBIA
Profit & Loss Budget vs. Actual
 July through September 2012

	TOTAL					
	Sep 12	Budget	Variance	Jul - Sep 12	Budget	Variance
50095 · Postage and Delivery	0.00	42.00	-42.00	45.00	126.00	-81.00
50100 · Printing/Photocopy	0.00	340.00	-340.00	28.19	1,020.00	-991.81
50120 · Meetings	619.40	252.00	367.40	619.40	756.00	-136.60
50125 · Legal	331.00	167.00	164.00	331.00	501.00	-170.00
50130 · Telephone & Internet	487.65	447.00	40.65	1,426.61	1,341.00	85.61
50135 · Parking/Mileage	200.00	200.00	0.00	600.00	600.00	0.00
50140 · Depreciation	0.00	100.00	-100.00	173.30	300.00	-126.70
50330 · D & O / Liability Insurance	1,913.50	589.00	1,324.50	5,659.50	1,967.00	3,692.50
Total 50045 · Operating	13,062.96	6,682.00	6,380.96	27,408.01	26,746.00	662.01
51000 · Neighborhood/Promotion						
51515 · CityFest	10,395.31	0.00	10,395.31	104,507.36	85,000.00	19,507.36
51525 · Promotion/Marketing	550.99	2,033.00	-1,482.01	3,222.57	6,099.00	-2,876.43
51530 · Banners	300.00	300.00	0.00	2,380.00	1,400.00	980.00
51535 · Web Site Communications	400.67	117.00	283.67	701.71	351.00	350.71
51540 · Business Mixers/Open House	0.00	116.00	-116.00	642.11	348.00	294.11
51545 · Newsletter	0.00	225.00	-225.00	0.00	675.00	-675.00
51555 · Farmer's Market	4,358.39	1,234.00	3,124.39	7,062.73	3,702.00	3,360.73
51565 · Hillcrest Map	2.00	900.00	-898.00	1,927.00	2,700.00	-773.00
51570 · Hillcrest Hoedown.	9,125.78	12,000.00	-2,874.22	9,386.88	14,500.00	-5,113.12
51575 · Pride Flag Project	4,521.32			33,439.07		
51800 · Pride of Hillcrest	20,362.31			103,942.81		
51870 · Mardi Gras	150.00	0.00	150.00	150.00	0.00	150.00
Total 51000 · Neighborhood/Promotion	50,166.77	16,925.00	33,241.77	267,362.24	114,775.00	152,587.24
53000 · Physical Improvements						
53125 · Hillcrest Sign Utilities/Maint.	50.59	67.00	-16.41	147.10	201.00	-53.90
53130 · Security	3,165.40	3,000.00	165.40	9,496.20	9,000.00	496.20
53135 · Street Cleaning	3,637.00	4,167.00	-530.00	10,097.00	12,501.00	-2,404.00
53137 · Pressure Washing	1,199.00	1,321.00	-122.00	3,699.00	6,946.00	-3,247.00
53150 · Dumpsters	618.56	301.00	317.56	1,237.12	903.00	334.12
53152 · Flower Baskets (Purchase)	2,148.00	1,274.00	874.00	12,723.00	11,726.00	997.00
53155 · Tree Trimming & Maintenance	680.00	2,080.00	-1,400.00	6,800.00	6,240.00	560.00
53160 · Capital Projects	0.00	2,085.00	-2,085.00	0.00	6,255.00	-6,255.00
53161 · Special Projects	0.00	7,100.00	-7,100.00	2,090.39	21,300.00	-19,209.61

HBIA
Profit & Loss Budget vs. Actual
 July through September 2012

				TOTAL		
	Sep 12	Budget	Variance	Jul - Sep 12	Budget	Variance
53165 - Contingency	0.00	4,314.00	-4,314.00	1,298.00	12,942.00	-11,644.00
Total 53000 - Physical Improvements	11,498.55	25,709.00	-14,210.45	47,587.81	88,014.00	-40,426.19
Total Expense	89,607.47	62,016.00	27,591.47	388,995.64	273,635.00	115,360.64
	<u>-47,142.73</u>	<u>-10,623.00</u>	<u>-36,519.73</u>	<u>-4,818.21</u>	<u>5,354.00</u>	<u>-10,172.21</u>

HBIA
Profit & Loss by Class
 July through September 2012

	<u>110 GENERAL</u>	<u>220 SPECIAL EVENTS</u>	<u>410 BID CONTRACT</u>	<u>510 MAD</u>	<u>TOTAL</u>
Income					
40015 - CityFest	0.00	137,284.95	0.00	0.00	137,284.95
40020 - Farmers Market	53,272.11	0.00	0.00	0.00	53,272.11
40040 - MAD	0.00	0.00	0.00	23,018.83	23,018.83
40050 - BID	0.00	0.00	29,229.36	0.00	29,229.36
40090 - Mardi Gras	0.00	-500.00	0.00	0.00	-500.00
40120 - Interest	9.98	0.00	0.00	0.00	9.98
40135 - Hillcrest Hoedown	0.00	11,528.59	0.00	0.00	11,528.59
40140 - Banner Space	548.00	0.00	0.00	0.00	548.00
40145 - Pride Flag	7,750.00	0.00	0.00	0.00	7,750.00
40155 - Pride of Hillcrest	0.00	121,331.61	0.00	0.00	121,331.61
40160 - Hillcrest Map.	600.00	0.00	0.00	0.00	600.00
40180 - Other Income	104.00	0.00	0.00	0.00	104.00
Total Income	<u>62,284.09</u>	<u>269,645.15</u>	<u>29,229.36</u>	<u>23,018.83</u>	<u>384,177.43</u>
Expense					
50000 - Personnel					
50005 - Salaries	22,759.15	10,174.64	8,292.28	0.00	41,226.07
50025 - Employer Taxes - Federal	1,741.02	778.40	634.37	0.00	3,153.79
50035 - Health Insurance	1,362.02	548.77	0.00	0.00	1,910.79
50040 - Workers Comp Insurance	192.38	0.00	154.55	0.00	346.93
Total 50000 - Personnel	<u>26,054.57</u>	<u>11,501.81</u>	<u>9,081.20</u>	<u>0.00</u>	<u>46,637.58</u>
50045 - Operating					
50050 - Rent Office Space	1,874.00	0.00	1,018.00	0.00	2,892.00
50055 - Storage	705.00	0.00	0.00	0.00	705.00
50060 - Accounting	3,024.45	989.84	1,484.71	0.00	5,499.00
50065 - Audit	0.00	0.00	1,125.00	3,375.00	4,500.00
50070 - Equipment Purchase	1,282.91	0.00	0.00	0.00	1,282.91
50075 - Intern/Consultant	2,270.00	0.00	0.00	0.00	2,270.00
50080 - Bank & Credit Card Charges	81.54	0.00	0.00	0.00	81.54
50085 - Repair and Maintenance	460.00	0.00	0.00	0.00	460.00
50090 - Office Supplies	736.42	0.00	98.14	0.00	834.56
50095 - Postage and Delivery	45.00	0.00	0.00	0.00	45.00
50100 - Printing/Photocopy	28.19	0.00	0.00	0.00	28.19
50120 - Meetings	619.40	0.00	0.00	0.00	619.40

HBIA
Profit & Loss by Class
 July through September 2012

	<u>110 GENERAL</u>	<u>220 SPECIAL EVENTS</u>	<u>410 BID CONTRACT</u>	<u>510 MAD</u>	<u>TOTAL</u>
50125 - Legal	331.00	0.00	0.00	0.00	331.00
50130 - Telephone & Internet	954.61	0.00	472.00	0.00	1,426.61
50135 - Parking/Mileage	600.00	0.00	0.00	0.00	600.00
50140 - Depreciation	173.30	0.00	0.00	0.00	173.30
50330 - D & O / Liability Insurance	3,743.30	0.00	1,916.20	0.00	5,659.50
Total 50045 - Operating	16,929.12	989.84	6,114.05	3,375.00	27,408.01
51000 - Neighborhood/Promotion					
51515 - CityFest	0.00	104,507.36	0.00	0.00	104,507.36
51525 - Promotion/Marketing	1,902.57	0.00	1,320.00	0.00	3,222.57
51530 - Banners	2,380.00	0.00	0.00	0.00	2,380.00
51535 - Web Site Communications	701.71	0.00	0.00	0.00	701.71
51540 - Business Mixers/Open House	0.00	0.00	642.11	0.00	642.11
51555 - Farmer's Market	7,062.73	0.00	0.00	0.00	7,062.73
51565 - Hillcrest Map	1,927.00	0.00	0.00	0.00	1,927.00
51570 - Hillcrest Hoedown.	0.00	9,386.88	0.00	0.00	9,386.88
51575 - Pride Flag Project	33,439.07	0.00	0.00	0.00	33,439.07
51800 - Pride of Hillcrest	0.00	103,942.81	0.00	0.00	103,942.81
51870 - Mardi Gras	0.00	150.00	0.00	0.00	150.00
Total 51000 - Neighborhood/Promotion	47,413.08	217,987.05	1,962.11	0.00	267,362.24
53000 - Physical Improvements					
53125 - Hillcrest Sign Utilities/Maint.	0.00	0.00	0.00	147.10	147.10
53130 - Security	0.00	0.00	0.00	9,496.20	9,496.20
53135 - Street Cleaning	1,716.75	0.00	4,567.81	3,812.44	10,097.00
53137 - Pressure Washing	191.84	0.00	1,693.63	1,813.53	3,699.00
53150 - Dumpsters	0.00	0.00	596.16	640.96	1,237.12
53152 - Flower Baskets (Purchase)	10,575.00	0.00	2,148.00	0.00	12,723.00
53155 - Tree Trimming & Maintenance	0.00	0.00	3,066.40	3,733.60	6,800.00
53161 - Special Projects	2,090.39	0.00	0.00	0.00	2,090.39
53165 - Contingency	1,298.00	0.00	0.00	0.00	1,298.00
Total 53000 - Physical Improvements	15,871.98	0.00	12,072.00	19,643.83	47,587.81
Total Expense	106,268.75	230,478.70	29,229.36	23,018.83	388,995.64
	<u>-43,984.66</u>	<u>39,166.45</u>	<u>0.00</u>	<u>0.00</u>	<u>-4,818.21</u>

CONTRACTING AGREEMENT

November 13, 2012

This agreement is executed by Hillcrest Business Association, a California not for profit corporation (hereinafter referred to as "HBA") whose address is 3737 Fifth Avenue #202, San Diego, CA 92103 and San Diego LGBT Pride, a California not for profit corporation (hereinafter referred to as "LGBT Pride"), whose address is 3620 30th Street, San Diego, CA 92104.

WHEREAS, LGBT Pride and HBA produce events in the neighborhood of Hillcrest; and

WHEREAS, on the second weekend of July LGBT Pride produces a series of events, for the purposes of this agreement collectively called "Pride Weekend Activities", including but not limited to the Pride of Hillcrest Block Party, San Diego Pride Parade, San Diego Pride Festival and the Stonewall Rally; and

WHEREAS, on the Tuesday of Mardi Gras the HBA produces a street nighttime festival; and

WHEREAS, the HBA and LGBT PRIDE have partnered on stewardship of the Hillcrest Flag Monument; and

WHEREAS, LGBT PRIDE and HBA successfully produced a new event on July 20, 2012 entitled Pride of Hillcrest Block Party; and

NOW THEREFORE, in consideration of the mutual promises contained herein, as well as other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged, the Parties agree, as follows:

Agreement

The Parties to this agreement shall perform the actions described in Attachment #A.

Contract termination:

This agreement concerns the Pride of Hillcrest Block Party event to be held on July 12, 2013 and Hillcrest Mardi Gras event to be held on February 12, 2013 shall terminate upon conclusion of all activities related to these events.

Insurance:

HBA agrees to maintain insurance policies to cover the events in the amount of \$1,000,000.00 per occurrence and \$2,000,000.00 in aggregate and shall name San Diego LGBT Pride as additionally insured.

Expenses and profits:

The profits and expenses for the events shall be apportioned in the following way:

- LGBT Pride and HBA shall equally split net profits or losses from Pride of Hillcrest Block Party.
- LGBT Pride and HBA shall equally split net profits from Hillcrest Mardi Gras and HBA shall bare any losses from the event.

Ownership

The Friday Night Pride Event is the property of HBA and LGBT Pride. Both organizations jointly own the event. Hillcrest Mardi Gras is the property of the HBA.

Agreements with third parties

Any and all agreements with third parties concerning the events event must be disclosed by both parties. Any agreement entered into by either party concerning the events must be approved by both parties prior to the signing of any agreement.

Arbitration

If a dispute arises out of or relates to this Agreement, or the breach thereof, the parties agree first to try in good faith to resolve the dispute by mediation administered by the American Arbitration Association under its rules, before resorting to arbitration. Thereafter, any unresolved controversy or claim arising out of or relating to this agreement, or breach thereof, shall be resolved by arbitration administered by the American Arbitration Association in accordance with its arbitration rules, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof pursuant to applicable law.

Governing law

The construction, interpretation and application of this Agreement shall be governed by the law of the State of California.

Conflict of interest

HBA and LGBT pride shall comply with all federal, state, and local laws, including conflict of interest laws, statutes, ordinances, regulations, and policies of the city of San Diego related to public contracts and procurement practices to the extent applicable. HBA and LGBT Pride are unaware of any financial or economic interest of any public officer or employee of the city of San Diego relating to this agreement. LGBT Pride has been made aware of the HBA's Conflict of Interest policy (Attachment #B).

Integration

This agreement supersedes all prior agreements, understandings, promises, representation, and discussions, whether written or oral, or whether expressed, implied or apparent and are hereby deemed merged into and made a part of this agreement. The terms of this agreement are contractual and not merely a recital. No waiver or modification of any term of this Agreement shall be valid or binding unless in writing and executed by all of the parties.

Assignment

This Agreement and the rights and obligations accruing to the parties hereto shall not be assigned or delegated without the consent of the other party; and such consent shall not be unreasonably withheld.

Equal employment and nondiscriminatory provisions

Both parties shall not discriminate in any manner against any person or persons on account of race, color, religion, gender, sexual orientation, gender identity or expression, medical status, national origin, age, marital status, or physical disability in activities pursuant to this agreement, including but not limited to the providing of goods, services, facilities, privileges, advantages, and accommodations, and the obtaining and holding of employment. Both parties shall comply with San Diego City Council Ordinance No.18173 (San Diego Municipal Code sections 22.2701 through 22.2708, as amended), EQUAL EMPLOYMENT OPPORTUNITY OUTREACH PROGRAM, a copy of which is on file in the Office of the City Clerk and by this reference is incorporated into this Agreement. Both parties is individually responsible to abide by its contents. Both parties shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Act; and any other applicable federal and state laws and regulations hereafter enacted. Both parties shall not discriminate against any employee or applicant for employment on any basis prohibited by law. Both parties may be required to comply, and require each of its Subcontractors to comply, with the provisions of the City’s Living Wage Ordinance. It is the responsibility of the Both parties to determine if compliance is required. Both parties are required where applicable to comply with the Americans with Disabilities Act, the City of San Diego Drug Free Workplace requirements, and Storm Water Management and Discharge Control Ordinance.

Representations and warranties

Each party represents and warrants to the other that it has all necessary power and authority to execute and deliver this agreement and to carry out its obligations hereunder. The Agreement has been duly and validly executed and delivered by the Parties and constitutes the valid and binding agreement of that party, fully enforceable against that party in accordance with their respective terms. To the best knowledge of each party, all consents, approvals, orders or authorizations of, or registration, declaring or filing with, any governmental authority in connection with the execution and delivery of the agreement or the consummation of the transactions contemplated hereby have been obtained.

The parties have executed this Agreement on _____, at _____, California.

HILLCREST BUSINESS
IMPROVEMENT ASSOCIATION

San Diego LGBT Pride

By: _____
Glenn Younger
HBA President
Address:

By: _____
President:
Address:

3737 Fifth Avenue, #202
San Diego, CA 92103
(619) 299-3330 Tel.
(619) 299-4230 Fax.

Attachment A: Scope of Services
Attachment B: Conflict of Interest Policy

Attachment C: Scope of Work

LGBT Pride agrees to provide the following services concerning the Pride of Hillcrest Block Party event:

- Promote the event by including it in all promotions related to Pride Weekend Activities and work closely with HBA's Marketing Director to coordinate promotion efforts
- Provide an opportunity for recognition and statements from Hillcrest Flag Monument at Stonewall Rally and flag raising event
- Leverage all available logistics contracts related to Pride weekend activities to minimize costs relating to Pride of Hillcrest Block Party event
- Allow HBA's event production company to engage and negotiate with existing sponsors of Pride weekend activities
- Agree not to sponsor or participate in any other events outside of Hillcrest during or after Friday Night Pride event on 7/12/13
- Negotiate headline performer for the event of regional or national stature
- Host Spirit of Stonewall Rally at the base of the flag as a kick-off event for Pride weekend activities
- Pay for the ongoing maintenance of the flag as needed (anticipated to be between three and four times a year) and take ownership of the disused flags after they have been taken down and retire them from use in an appropriate manor

LGBT Pride agrees to provide the following services concerning the Hillcrest Mardi Gras event:

- Actively promote the event through LGBT Pride's social media networks including facebook, twitter and email lists
- Allow the use of the Pride logo as a partner logo for the event
- Manage a scholarship program with the proceeds of the event (as described above) for LGBT youth and students

HBA agrees to provide the following:

- Produce professionally run and profitable events including all logistical elements, permitting, sales and sponsorship procurement
- Engage Hillcrest entertainment venues to provide donations, joint cover opportunities, sponsorship, entertainment and promotional support
- In collaboration with LGBT Pride provide direct and indirect marketing for the event including developing promotional materials, advertising, and community outreach
- Develop online promotions campaigns, including a website and social networking tools, to promote the events
- Manage all financial elements of the events including online and in-store ticket sales and upon completion of the events provide LGBT Pride an accurate financial statement for the events

- Manage all accounting and record keeping including: book keeping, budget conformance, receipt and invoice generation, check payment, and developing reports
- Make available access to BIDD special event equipment for the events and all Pride Weekend Activities

Attachment B: Conflict of Interest policy

No contract may be entered into by the Hillcrest Business Association if one of its' officers, members, directors, committee members, staff members or volunteers has a material financial interest in the contract or transaction, except in the following circumstances:

- (1) the material facts as to the contract or transaction and as to the party's interest are fully disclosed or known to the member, board or committee voting on the matter;
- (2) the contract or transaction is approved by the members, board or committee in good faith, by a vote sufficient without counting the vote of the interested party or parties;
- (3) the interested party or parties abstains from voting on the matter;
- (4) the contract or transaction is just and reasonable to the Hillcrest Business Association at the time it was authorized, approved or ratified;
- (5) the interested party or parties shall not actively participate in the decision about the contract or transaction, except to answer questions or provide a broad explanation;
- (6) the action is recorded in meeting minutes, noting which members voted, how the members voted, and identifying any members who abstained from voting.

A violation of any provision of this policy shall be grounds for removal of the officers, directors, members, committee members, staff members or volunteers from their positions with the HBA. A contract or transaction entered into in violation of this Conflict of Interest Policy shall be void and unenforceable.

Contracting Agreement

November 11, 2012

This Agreement (the "Agreement") is executed by Hillcrest Business Improvement Association, a California not for profit corporation (hereinafter referred to as "HBA") whose address is 3737 Fifth Avenue San Diego, CA 92103 and Professional Event Solutions (hereinafter referred to as "Consultant"), whose address is 1244 Knoxville St. San Diego, CA 92110. HBA and Consultant are sometimes hereinafter collectively referred to as the "Parties" or individually as a "Party".

Hillcrest Business Association undertakes special events as part of its promotional programs throughout the year and is seeking an event production company to implement elements of Hillcrest Mardi Gras to be held on February 12, 2012

Services to be provided

Consultant shall manage the event on behalf of the HBA in accordance with the provisions set forth in Attachment #A attached hereto and made a part hereof for all purposes.

Terms and termination

Either Party may cancel this Agreement at any time after date of signing upon 30 days written notice to the other Party. This agreement has a term of one year.

Independent contractor status

Consultant is an independent contractor and is not an employee of HBA. Staffing costs relating duties described in Attachment A will be borne by Consultant, including requirements for the provisions of Workers Compensation Insurance and any and all local, state and federal payroll taxes, and any tax liability related to Consultant and their staff.

Governing law

Contractor shall at all times comply with all applicable laws, statutes, ordinances, and regulations of the City, county, state, and federal governments. Subcontractor shall also comply with all notices issued by the City under the authority of all current or future laws, statutes, ordinances, or regulations.

Conflict of interest

Contractor shall comply with all federal, state, and local laws, including conflict of interest laws, statutes, ordinances, regulations, and policies of the City related to public contracts and procurement practices to the extent applicable. HBA and Contractor are unaware of any financial or economic interest of any public officer or employee of the City relating to this agreement. Contractor has been made aware of the HBA's Conflict of Interest policy (attachment B).

Insurance

As required by the City of San Diego, HBA agrees to maintain an insurance policy to cover the CityFest in the amount of \$1,000,000.00 per occurrence and \$2,000,000.00 in aggregate and shall name Consultant as an additional insured.

Consultant shall provide Commercial General Liability [CGL] Insurance, naming HBA and the "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additionally insured in the

amount of \$1,000,000 per occurrence and \$2,000,000 in aggregate. The policy shall be kept in force for the duration of the Term and any extended use. Consultant shall have forty-five (45) days from the execution of this Agreement to obtain said insurance and to provide HBA with proof of insurance. All insurance required by the terms of this Agreement must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements. If City is made a party to any judicial or administrative proceeding to resolve the dispute between HBA and Consultant, Consultant shall defend and indemnify the City as described herein.

Consultant shall provide workers' compensation insurance, as required by the laws of the State of California for all of Contractor's employees who are subject to this Agreement, with employers' liability coverage with a limit of at least one million dollars (\$1,000,000). It is the responsibility of the Consultant to provide proof of workers compensation insurance to the City or to provide the City with any and all necessary documentation to prove Consultant does not require workers compensation Insurance.

Consultant shall defend, indemnify, protect, and hold harmless the City and HBA, their elected officials, departments, officers, employees, representatives, and agents from and against any and all claims asserted, or liability established, for damages or injuries resulting from any workers compensation claim or claim for damages or injuries by any employee or sub-contractor of Consultant.

Fees and Bonuses

The HBA will pay a fee not to exceed \$6,073.00 for the activities described in attachment A. The fee shall be paid in two portions, 50% at the commencement of this agreement and 50% at the conclusion of the event.

All bills and invoices from third party contractors will be delivered to HBA within 30 days of the event date. In the case that this does not occur the bills will become the responsibility of the Contractor.

Ownership

Hillcrest Mardi Gras the property of the HBA. Ownership includes ownership of the names, HBA retains the exclusive rights to sell any HBA related merchandise and tickets and to conduct promotions for any business relating to Hillcrest and the HBA.

Agreements with third parties

HBA and Contractor agree that though there are many third parties related to this agreement, including but not limited to the City of San Diego, State of California and San Diego LGBT Pride, this agreement in no way binds these organizations or modifies any existing or future agreements with those parties.

Contractor shall disclose and provide copies of all agreements with third parties relating the project including rental agreements, service contracts, entertainment agreements, sponsorships, in-kind donations, special payments, and mutual benefit arrangements. Unwritten agreements shall be unacceptable.

Marketing, logos and sponsor recognition

Event specific logos shall be used on all promotional and signage elements for the events including banners, signs, advertising and otherwise. Any sponsorship agreements developed by the Contractor shall not create the impression that the event is owned by any third party.

Arbitration

If a dispute arises out of or relates to this Agreement, or the breach thereof, the parties agree first to try in good faith to resolve the dispute by mediation administered by the American Arbitration Association under its rules, before resorting to arbitration. Thereafter, any unresolved controversy or claim arising out of or relating to this Agreement, or breach thereof, shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Arbitration Rules, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof pursuant to applicable law.

No joint venture or partnership

This Agreement shall not be construed or interpreted to create or establish any joint venture or partnership between the parties.

Integration

This Agreement supersedes all prior or contemporaneous agreements, understandings, promises, representation, and discussions, whether written or oral, or whether expressed, implied or apparent and are hereby deemed merged into and made a part of this Agreement. The terms of this Agreement are contractual and not merely a recital. No waiver or modification of any term of this Agreement shall be valid or binding unless in writing and executed by all of the Parties.

Assignment

This Agreement and the rights and obligations accruing to the Parties hereto shall not be assigned or delegated without the consent of the other Party; and such consent shall not be unreasonably withheld. Notwithstanding the foregoing or any other provision contained herein to the contrary, Consultant may assign this Agreement and all rights pertaining thereto and delegate all of his obligations to a third party upon approval of the board of directors of the HBA.

Equal employment and nondiscriminatory provisions

Consultant shall not discriminate in any manner against any person or persons on account of race, color, religion, gender, sexual orientation, medical status, national origin, age, marital status, or physical disability in Consultant's activities pursuant to this Agreement, including but not limited to the providing of goods, services, facilities, privileges, advantages, and accommodations, and the obtaining and holding of employment. Consultant shall comply with City Council Ordinance No.18173 (San Diego Municipal Code sections 22.2701 through 22.2708, as amended), EQUAL EMPLOYMENT OPPORTUNITY OUTREACH PROGRAM, a copy of which is on file in the Office of the City Clerk and by this reference is incorporated into this Agreement. Consultant is individually responsible to abide by its contents. Consultant shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Act; and any other applicable federal and state laws and regulations hereafter enacted. Consultant shall not discriminate against any employee or applicant for employment on any basis prohibited by law. Consultant may be required to comply, and require each of its Subcontractors to comply, with the provisions of the City's Living Wage Ordinance. It is the responsibility of the Consultant to determine if compliance is required. Consultant is required where applicable to comply with the Americans with Disabilities Act, the City of San Diego Drug Free Workplace requirements, and Storm Water Management and Discharge Control Ordinance.

Representations and warranties

Each Party represents and warrants to the other that it has all necessary power and authority to execute and deliver this Agreement and to carry out its obligations hereunder. The Agreement has been duly and validly

executed and delivered by the Parties and constitutes the valid and binding agreement of that Party, fully enforceable against that Party in accordance with their respective terms. To the best knowledge of each Party, all consents, approvals, orders or authorizations of, or registration, declaring or filing with, any governmental authority in connection with the execution and delivery of the Agreement or the consummation of the transactions contemplated hereby have been obtained.

Supervision

Contractor shall provide supervision adequate to insure that the services rendered pursuant to this agreement are of high quality.

No joint venture or partnership

This agreement shall not be construed or interpreted to create or establish any joint venture or partnership between the parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement on _____, at _____, California.

HILLCREST BUSINESS
ASSOCIATION

CONSULTANT

By: _____

By: _____

Benjamin Nicholls
Executive Director, HBA
ADDRESS:
3737 Fifth Avenue, #202
San Diego, CA 92103
(619) 299-3330 Tel.
(619) 299-4230 Fax.

:

- Attachment A: Scope of services
- Attachment B: Conflict of interest policy

Attachment A: Scope of Services

Consultant agrees to manage Hillcrest Mardi Gras on 2/12/13 including the following activities:

- All logistical elements such as traffic control security, rental equipment, entertainment, set up, staff management and costs, cleaning and breakdown, street closure signs, no parks and barricades, cleaning, rentals, port a potties, sound equipment, staging, generators, and other elements
- Being on site or having an agent on site at all times to deal with any issues
- Negotiating the best deals on all expenses covered by HBA and agreeing to solicit bids on services if so requested by HBA
- Create a logistics budget for the event
- Attend all event committee meetings
- Coordinate with the HBA to create an event format
- Create a map for the event with committee assistance
- Work with entertainment volunteer to coordinate all entertainment
- Assist in signing up participating vendors for the event to include non-food vendors and arts and craft and other vendors per the clients request
- Create a parking and traffic plan
- Hire and coordinate all necessary and required security for the event
- Obtain all necessary signs and banners, including those needed for street closures, parking lots, etc.
- Arrange all necessary trash removal if needed
- On-site management services
- Troubleshoot before, during and after the event
- Secure production staff for the day of event
- Tape off all vendor placements prior to the event
- Day of event coordination
- Prepare and distribute thank you letters
- Make recommendations to improve the following year's event

HBA agrees to execute the following in relation to Hillcrest Mardi Gras on 2/12/13:

- Pay a management fee in the manor described in "fees and bonuses".
- Pay any and all pre-approved expenses
- Secure sponsors for the event
- Assign a spokesperson with all pre-event promotions, print and media
- Coordinate and be responsible for handling all financial matters for the event, including the event itself
- Assist with securing volunteers for the day of

Attachment B: conflict of interest policy

No contract may be entered into by the Hillcrest Business Association if one of its officers, members, directors, committee members, staff members or volunteers has a material financial interest in the contract or transaction, except in the following circumstances:

- (1) the material facts as to the contract or transaction and as to the party's interest are fully disclosed or known to the member, board or committee voting on the matter;
- (2) the contract or transaction is approved by the members, board or committee in good faith, by a vote sufficient without counting the vote of the interested party or parties;
- (3) the interested party or parties abstains from voting on the matter;

- (4) the contract or transaction is just and reasonable to the Hillcrest Business Association at the time it was authorized, approved or ratified;
- (5) the interested party or parties shall not actively participate in the decision about the contract or transaction, except to answer questions or provide a broad explanation;
- (6) the action is recorded in meeting minutes, noting which members voted, how the members voted, and identifying any members who abstained from voting.

A violation of any provision of this policy shall be grounds for removal of the officers, directors, members, committee members, staff members or volunteers from their positions with the HBA. A contract or transaction entered into in violation of this Conflict of Interest Policy shall be void and unenforceable.

Hillcrest 2.0 Policy Memorandum

Introduction

The Hillcrest Business Association is an active partner in the City of San Diego's Uptown Community Plan update process. The HBA has hosted the most comprehensive outreach and engagement campaign of any neighborhood. This campaign, entitled Hillcrest 2.0, seeks to engage business people and those who appreciate the Hillcrest business community. The HBA has sponsored the following activities as part of our campaign:

- Hosted five community forums in a 'mixer' setting at local restaurants. Over 450 hours of neighborhood volunteer time was spent at the forums with over 150 individual neighbors attending one or more of the forums. Each forum featured a distinguished speaker who informed our discussion. Speakers included Dr. Mirle Bussell from UCSD, Dr. Sherry Ryan from SDSU, Howard Blackson of Place Makers, and Mark Steele, founder of MW Steele Group.
- Partnered with the University of California San Diego's Planning Department to host seven student research groups on topics including public art, pedestrian alleyways, environmentalism, a business survey, a highway lid over SR 163, streetcars, and design guidelines.
- Invited nationally recognized speaker on urban renewal and community economics Charles Marohn of Strong Towns to speak in Hillcrest. The event, held at a local restaurant, was attended by over sixty neighborhood business people and residents.

As the community plan takes shape, the Hillcrest Business Association is eager to contribute and respond to the work product of the City Planning Department and its consultants. As new elements of the plan are developed the HBA will provide ongoing feedback. This will be conducted through a special ad hoc committee that will discuss proposals and documents from the Planning Department. Suggestions from this group will be endorsed or modified by the HBA Board of directors.

The feedback below was approved by the HBA, representing the businesses of Hillcrest, on November 13:

As a general concept, HBA supports Smart Growth in Hillcrest. The HBA supports compact, transit-oriented, walkable, bicycle-friendly land use ideas, including concepts such as complete streets theory, mixed-use development, and a range of housing choices.

The HBA supports the height proposals but believes the proposed base heights are too low. The Hillcrest Business Association supports the concept of base height limits, allowing for additional height through discretionary review, allowing for bonus height with appropriate amenities and identifying locations for unlimited height in certain areas. The HBA is disappointed at the proposed base height limits. The current IHO is a compromise between various groups in the neighborhood. At minimum the IHO limit of 65' should be the base for both the heart of Hillcrest and the east end.

The HBA also supports the additional design proposals described including providing height for

appropriate retail and commercial uses in addition to base height limit and height transitions based on the surrounding context.

The height of the buildings must be based on the pedestrian experience. As is stated in our Hillcrest 2.0 recommendations the height of buildings in the neighborhood should be based on the pedestrian experience. The street width is a good guide as to the appropriate height of buildings. The HBA recommends a 1:1 ratio of street width to the height of the “street wall”. Individual building heights may vary based on incentives described above.

There are two centers in Hillcrest. The HBA believes that there must be recognition of two centers of Hillcrest. When the 1988 community plan was written, the historic core at Fifth and University served as the heart of our neighborhood. Now, almost twenty five years later, the City must recognize that the east end of Hillcrest is at least as important as the historic heart of the neighborhood. The Uptown District, the LGBT Community Center, the Hillcrest Farmers Market and hundreds of new businesses have made the east end the “core” of Hillcrest too. Both areas should be seen as density hubs allowing for increased height and residential density.

Small business storefronts will not succeed without residential growth. The current proposals call for preserving small storefront businesses because they contribute to the street environment. The HBA agrees with this but believes that lowering the residential density range on the east end to 44du/ac and 74du/ac on the west end does not provide the opportunities for residential growth to accommodate small storefronts (especially in light of the fact that many of the parcels in Hillcrest are extremely narrow). Small storefronts and residential density go hand in hand. Storefronts will fail without residential density. The business community reserves its right to demand a level of residential density to provide continued customer growth.

Hillcrest’s diverse range of family types and sizes needs to continue to be accommodated through a mix of residential unit sizes. Calling out a number of dwelling units per acre does not envision a diversity of sizes.

Preserve and enhance the assets of the neighborhood. The HBA supports the proposed goals of preserving the character of the business district. Walkable neighborhoods, modern living spaces, small storefronts and intimate restaurants are all assets that the HBA encourages. However, the HBA also encourages city planners to recognize that because of its location on the crest of a hill other underutilized assets such as views of the bay, downtown, Balboa Park and the eastern mountains, and proximity to San Diego’s canyon spaces and Balboa Park should be emphasized in development proposals.

PRELIMINARY DRAFT – SUBJECT TO CHANGE

Financial Report



Business Improvement Association, Inc.

June 30, 2012

PRELIMINARY DRAFT – SUBJECT TO CHANGE

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PRELIMINARY DRAFT – SUBJECT TO CHANGE


INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

We have audited the accompanying statement of financial position of Hillcrest Business Improvement Association, Inc. (the Organization) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Hillcrest Business Improvement Association. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2011 financial statements, and in our report dated December 13, 2011 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. We were not engaged to perform an audit of Hillcrest Business Association's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Cheryl Rhode, CPA
for  EST RHODE & ROBERTS

San Diego, California
August XX, 2012

PRELIMINARY DRAFT – SUBJECT TO CHANGE

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2012

(With Summarized Financial Information for June 30, 2011)

	2012	2011 (Note 7)
ASSETS		
CURRENT ASSETS		
Cash	\$ 371,507	\$ 348,834
Accounts receivable	55,722	61,828
Prepaid expenses	9,896	3,961
Total current assets	<u>437,125</u>	<u>414,623</u>
FIXED ASSETS		
Property and equipment	13,139	13,139
Accumulated depreciation	<u>(12,619)</u>	<u>(11,579)</u>
Net fixed assets	<u>520</u>	<u>1,560</u>
Total assets	<u>\$ 437,645</u>	<u>\$ 416,183</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 9,957	\$ 13,497
Deferred revenue	50,969	32,760
Total liabilities	<u>60,926</u>	<u>46,257</u>
NET ASSETS		
Unrestricted	<u>376,719</u>	<u>369,926</u>
Total net assets	<u>376,719</u>	<u>369,926</u>
Total liabilities and net assets	<u>\$ 437,645</u>	<u>\$ 416,183</u>

PRELIMINARY DRAFT – SUBJECT TO CHANGE

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

	<u>2012</u>	<u>2011</u> <u>(Note 7)</u>
REVENUES AND SUPPORT		
BID reimbursement income	\$ 101,340	\$ 87,542
City Fest income	132,901	135,785
Farmers Market income	190,624	170,508
Taste of Hillcrest	39,395	28,142
Taste 'N Tinis	20,367	13,128
MAD income	114,526	93,739
Special event income	132,299	22,535
Interest income	160	778
Other grants	-	12,000
Other income	<u>60,604</u>	<u>30,027</u>
Total revenues and support	<u>792,216</u>	<u>594,184</u>
EXPENSES		
City Fest	92,999	92,113
MAD	114,526	93,739
Other program expenses	340,973	106,060
Management and general	<u>236,925</u>	<u>225,799</u>
Total expenses	<u>785,423</u>	<u>517,711</u>
Excess of expenses over revenues and support	6,793	76,473
NET ASSETS AT BEGINNING OF YEAR	<u>369,926</u>	<u>293,453</u>
NET ASSETS AT END OF YEAR	<u>\$ 376,719</u>	<u>\$ 369,926</u>

PRELIMINARY DRAFT – SUBJECT TO CHANGE

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)

	2012	2011 (Note 7)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,793	\$ 76,473
Depreciation	1,040	1,039
(Increase) decrease in operating assets:		
Accounts receivable	6,106	6,863
Prepaid expenses	(5,935)	(167)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(3,540)	(3,614)
Deferred revenue	18,209	21,645
Net cash provided by (used in) operating activities	<u>22,673</u>	<u>102,239</u>
INCREASE (DECREASE) IN CASH	22,673	102,239
CASH AT BEGINNING OF YEAR	<u>348,834</u>	<u>246,595</u>
CASH AT END OF YEAR	<u>\$ 371,507</u>	<u>\$ 348,834</u>

PRELIMINARY DRAFT – SUBJECT TO CHANGE
HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – 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.

Method of Accounting – The financial statements of the Organization have been prepared in conformity with generally accepted accounting principles on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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.

Basis of Presentation – The accompanying financial statements are prepared on the accrual basis of accounting.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly the net assets of the School 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 by actions of the Organization. As of June 30, 2012, 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, 2012, the Organization had no permanently restricted net assets.

Revenue Recognition – Contributions are recognized as revenue when they are unconditionally pledged.

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, 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, 2012, no material contributions of services were recorded.

PRELIMINARY DRAFT – SUBJECT TO CHANGE
HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property and Equipment – Property and equipment are recorded at cost. Depreciation is provided on 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.

Deferred Revenue – Deferred revenue consists of City Fest income received in this fiscal year that was not earned until the City Fest event occurred in August of 2012, after the fiscal year end.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status – The Organization is a California non-profit corporation and is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and Section 23701(d) of the California Code and generally is not subject to income taxes. The Organization reviewed its positions for all open tax years and has determined that no provision for uncertain tax positions under FASB Accounting Standards Codification No. 740-10.

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 functional expenses. Certain costs have been allocated among the programs activities benefited.

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 **August XX, 2012**, which is the date the financial statements are available for issuance, and concluded that there were no events or transaction that needed to be disclosed.

NOTE 2. FAIR VALUE

The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification No. 820 (ASC 820), Fair Value Measurements, that establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE (continued)

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 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 GAAP.

NOTE 3. 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 4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

BID reimbursement request	\$ 818
MAD reimbursement request	32,163
City Fest receivable	9,300
SBEP City Service reimbursement request	4,941
Other	<u>8,500</u>
Total	<u>\$ 55,722</u>

NOTE 5. LEASE AGREEMENT

The Organization conducts its operations from facilities located at 3737 Fifth Avenue, Suite 203, San Diego, California that is leased for \$723 a month under a month to month operating lease.

NOTE 6. 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, 2012, there were no cash balances in excess of the insured amount.

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HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. 2011 FINANCIAL INFORMATION


The financial statements include certain prior-year summarized comparative information in total, but not by fund or 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 the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

PRELIMINARY DRAFT – SUBJECT TO CHANGE

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary statement that follows on page 9 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cheryl Rhode, CPA
for  WEST RHODE & ROBERTS

San Diego, California
August XX, 2012

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HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.			
SUPPLEMENTARY INFORMATION			
INCOME/EXPENSE STATEMENT, CITY OF SAN DIEGO TOT FUNDS			
Year Ended June 30, 2012			
	<u>Budgeted</u>	<u>Actual</u>	<u>TOT Funds</u>
Twelve months (July - June) of the corresponding			
July 1, 2011 through June 30, 2012 allocation period			
Personnel:			
Artistic (all disciplines)	\$ 8,500	\$ 9,785	\$ 8,500
Entertainment	2,500	4,920	2,500
Technical/Production	6,500	15,156	2,358
Personnel subtotal	<u>17,500</u>	<u>29,861</u>	<u>13,358</u>
Operating:			
Rent & Facility expense	30,000	42,765	3,000
Operating subtotal	<u>30,000</u>	<u>42,765</u>	<u>3,000</u>
TOT Total Expenses	<u>\$ 47,500</u>	<u>\$ 72,626</u>	<u>\$ 16,358</u>

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***REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF THE CITY OF SAN DIEGO
COMMISSION FOR ARTS AND CULTURE ALLOCATIONS PROGRAM***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of financial position of Hillcrest Business Improvement Association, Inc. as of June 30, 2012, and the related statements of activities and cash flows for the year then ended, and have issued our report thereon dated **August XX, 2012**.

In connection with our audit, nothing came to our attention that caused us to believe that the Organization failed to comply with the requirements of the City of San Diego Commission for Arts and Culture Allocations Program. However, our audit was not directed primarily toward obtaining knowledge of such non-compliance.

This report is intended solely for the information and use of the Board of Directors, management of Hillcrest Business Improvement Association, Inc., and the City of San Diego Commission for Arts and Culture Allocations Program and should not be used for any other purpose.

Cheryl Rhode, CPA
for  WEST RHODE & ROBERTS

San Diego, California
August XX, 2012

PRELIMINARY DRAFT – SUBJECT TO CHANGE

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

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

We appreciate the opportunity to have conducted your audit this year. In planning and performing our audit of Hillcrest Business Improvement Association, Inc. (the Association) financial statements as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Association internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Association's internal control to be a material weakness:

Segregation of Duties – The Organization does not have an adequate segregation of duties for effective internal accounting control. We recognize that the Organization is not large enough to make the employment of additional persons practicable for the purpose of segregating duties from a financial view point, but we are required, under our professional responsibilities, to call this situation to your attention.

The basic premise is that no one employee should have access to both physical assets and related accounting records, or to all phases of a transaction. The lack of segregation of duties increases the possibility that intentional or unintentional errors could be made and not detected.

This communication is intended solely for the information and use of management of Hillcrest Business Improvement Association, Inc. (the Association) and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Cheryl Rhode, CPA
for WEST RHODE & ROBERTS

San Diego, California
August XX, 2012

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To: Board of Directors
Hillcrest Business Improvement Association

In performing our audit of the financial statements of Hillcrest Business Improvement Association (the Organization) as of June 30, 2012, we noted a matter involving internal control that we consider to be a material weakness in internal control as indicated in our letter dated August XX, 2012.

Below are additional recommendations based on observations resulting from our audit procedures.

Investment policy – During our audit we noted that the Organization does not have an investment policy. While the Organization is not currently making investments, the opportunity may present itself in the future and management should have the proper guidelines on the types of investments acceptable to the Organization. We recommend that the Organization establish an investment policy.

Employee Manual – While we noted that the Organization is currently working from a draft employee manual, we also noted that this manual has not been approved by the board of directors. We suggest that the board of directors review and approve the manual if there are not changes to ensure that the employees are following guidelines set by the board and to reduce the risk of employees misunderstanding what is expected of them.

Functional Allocation of Expenses – During our audit, we noted that the Organization does not have a written policy for the allocation of expenses to program, management, general and fundraising. While some expenses are direct, some must be allocated to the various programs. We suggest the Organization do a time study in order to accurately allocate personnel and other operating costs.

Credit Card Policy – During our audit we noted that the Organization has implemented a written credit card policy however, we noted that authorized users are not required to sign an agreement related to the credit card. We recommend that the Organization require all employees authorized to use credit cards to sign a copy of the policies and procedures showing that they have read and understand them.

This report is intended solely for your internal use and is not to be referred to, or presented to, anyone outside Hillcrest Business Improvement Association for any purpose because of the restricted nature of our work.

Cheryl Rhode, CPA
for WEST RHODE & ROBERTS

San Diego, California
August XX, 2012

PRELIMINARY DRAFT – SUBJECT TO CHANGE

August XX, 2012

Board of Directors
Hillcrest Business Improvement Association
3737 Fifth Avenue, Suite 202
San Diego, CA 92103

Ladies and Gentlemen:

We have audited the financial statements of Hillcrest Business Improvement Association (the Organization) for the year ended June 30, 2012. 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 letter to you dated April 30, 2012. 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 policies. The significant accounting policies used by the Organization 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 the year ended June 30, 2012. We noted no transactions entered into by the Organization 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. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for uncollectable accounts and depreciation – The allowance for uncollectable accounts is based on the historical collection rates and an analysis of the collectability of individual amounts, while depreciation is based on the useful lives of the assets.

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.

PRELIMINARY DRAFT – SUBJECT TO CHANGE

Board of Directors
Hillcrest Business Improvement Association

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August XX, 2012

Disagreements with Management – For purpose 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.

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 Organization’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 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 applications of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our response were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of Board of Directors and management of Hillcrest Business Improvement Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Cheryl Rhode, CPA
for WEST RHODE & ROBERTS

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION
3737 FIFTH AVENUE, #202
SAN DIEGO, CA 92103

August XX, 2012

West Rhode & Roberts
3104 Fourth Avenue
San Diego, CA 92103

We are providing this letter in connection with your audit of the statement of financial position of Hillcrest Business Improvement Association (the Organization) as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the period then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of the Organization in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of August XX, 2012, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Organization's control.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Organization involving:
 - a. Management
 - b. Employees who have significant roles in internal control
 - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.
8. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Organization is contingently liable.
 - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB Accounting Standards Codification 275, *Risk and Uncertainties*.

10. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
11. Hillcrest Business Improvement Association is an exempt organization under Section 501(c)(6) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated Business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
12. There are no:
 - a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB Accounting Standards Codification 450, Contingencies.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Accounting Standards Codification 450, Contingencies.
 - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
13. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral except as made known to you and disclosed in the financial statements.
14. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

No events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signed: _____

Signed: _____

Title: _____

Title: _____