

Financial Report



Business Improvement Association, Inc.

June 30, 2011



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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, 2011, 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 2010 financial statements, and in our report dated September 8, 2010 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, 2011, 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 WEST RHODE & ROBERTS

San Diego, California
December 13, 2011

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2011

(With Summarized Financial Information for June 30, 2010)

	<u>2011</u>	<u>2010</u> (Note 7)
ASSETS		
CURRENT ASSETS		
Cash	\$ 348,834	\$ 246,595
Accounts receivable	61,828	68,691
Prepaid expenses	<u>3,961</u>	<u>3,794</u>
Total current assets	<u>414,623</u>	<u>319,080</u>
FIXED ASSETS		
Property and equipment	13,139	13,139
Accumulated depreciation	<u>(11,579)</u>	<u>(10,540)</u>
Net fixed assets	<u>1,560</u>	<u>2,599</u>
Total assets	<u><u>\$ 416,183</u></u>	<u><u>\$ 321,679</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 13,497	\$ 17,111
Deferred revenue	<u>32,760</u>	<u>11,115</u>
Total liabilities	<u>46,257</u>	<u>28,226</u>
NET ASSETS		
Unrestricted	<u>369,926</u>	<u>293,453</u>
Total net assets	<u>369,926</u>	<u>293,453</u>
Total liabilities and net assets	<u><u>\$ 416,183</u></u>	<u><u>\$ 321,679</u></u>

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u> (Note 7)
REVENUES AND SUPPORT		
BID reimbursement income	\$ 87,542	\$ 95,576
City Fest income	135,785	111,307
Farmers Market income	170,508	168,077
Taste of Hillcrest	28,142	34,409
Taste 'N Tinis	13,128	3,817
MAD income	93,739	106,772
Special event income	22,535	17,482
Interest income	778	972
Other grants	12,000	-
Other income	<u>30,027</u>	<u>20,495</u>
Total revenues and support	<u>594,184</u>	<u>558,907</u>
EXPENSES		
City Fest	92,113	88,575
MAD	93,739	106,772
Other program expenses	106,060	117,282
Management and general	<u>225,799</u>	<u>273,701</u>
Total expenses	<u>517,711</u>	<u>586,330</u>
Excess of expenses over revenues and support	76,473	(27,423)
NET ASSETS AT BEGINNING OF YEAR	<u>293,453</u>	<u>320,876</u>
NET ASSETS AT END OF YEAR	<u>\$ 369,926</u>	<u>\$ 293,453</u>

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

(With Summarized Financial Information for the Year Ended June 30, 2010)

	2011	2010 (Note 7)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 76,473	\$ (27,423)
Depreciation	1,039	1,040
(Increase) decrease in operating assets:		
Accounts receivable	6,863	(43,749)
Prepaid expenses	(167)	(475)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(3,614)	16,611
Deferred revenue	21,645	(18,336)
Net cash provided by (used in) operating activities	<u>102,239</u>	<u>(72,332)</u>
INCREASE (DECREASE) IN CASH	102,239	(72,332)
CASH AT BEGINNING OF YEAR	<u>246,595</u>	<u>318,927</u>
CASH AT END OF YEAR	<u>\$ 348,834</u>	<u>\$ 246,595</u>

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 and revenues 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.

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, 2011, no material contributions of services were recorded.

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 2011, 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.

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

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

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 December 13, 2011, 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:

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.

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE (continued)

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	\$ 20,104
MAD reimbursement request	14,766
City TOT reimbursement request	10,659
SBEP City Service reimbursement request	9,263
Farmers Market	4,167
Other	<u>2,869</u>
Total	<u>\$ 61,828</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, 2011, approximately \$95,000 was in excess of the insured amount.

NOTE 7. 2010 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, 2010, from which the summarized information was derived.



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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
December 13, 2011

HILLCREST BUSINESS IMPROVEMENT ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION
INCOME/EXPENSE STATEMENT, CITY OF SAN DIEGO TOT FUNDS
Year Ended June 30, 2011

	<u>Budgeted</u>	<u>Actual</u>	<u>TOT Funds</u>
Twelve months (July - June) of the corresponding			
July 1, 2010 through June 30, 2011 allocation period			
Personnel:			
Artistic (all disciplines)	\$ 8,500	\$ 8,899	\$ 8,500
Entertainment	2,500	22,352	2,159
TOT Total Expenses	\$ 11,000	\$ 31,251	\$ 10,659



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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, 2011, and the related statements of activities and cash flows for the year then ended, and have issued our report thereon dated December 13, 2011.

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 M. Rhode, CPA
for WEST RHODE & ROBERTS

San Diego, California
December 13, 2011