

**San Ysidro Improvement Corporation
Dba San Ysidro Chamber of Commerce**

Financial Statements
For The Fiscal Year Ended June 30, 2018 and 2017
And
Independent Auditors' Report

San Ysidro Improvement Corporation
Dbá San Ysidro Chamber of Commerce
June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of San Ysidro Improvement Corporation (a Non-Profit Corporation), which comprise of the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Ysidro Improvement Corporation as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited San Ysidro Improvement Corporation, Inc. 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Guerrero, Jimenez, Diaz & Co. LLP

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

September 9, 2019

SAN YSIDRO IMPROVEMENT CORPORATION
dba SAN YSIDRO CHAMBER OF COMMERCE
 Statements of Financial Position
 June 30, 2018 & 2017

ASSETS

	2018	2017
Current Assets		
Cash in banks	\$ 12,414	\$ 9,969
Accounts Receivable	11,677	5,000
Total Current Assets	24,091	14,969
 Fixed Assets - net	 -	 -
 Deposits	 1,000	 1,000
Prepaid Expense	3,450	120
Total Assets	\$ 28,541	\$ 16,089

LIABILITIES & NET ASSETS

Liabilities:		
Accounts Payable	\$ 3,760	\$ 2,163
Commission Payable	4,306	-
Deferred Income	4,573	6,742
Accrued Expenses	-	2,900
Total Liabilities	12,639	11,805
 Net Assets		
Temporarily Restricted Net Assets	-	-
Unrestricted Net Assets	15,902	4,284
Total Net Assets	15,902	4,284
 Total Liabilities & Net Assets	\$ 28,541	\$ 16,089

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

SAN YSIDRO IMPROVEMENT CORPORATION
dba SAN YSIDRO CHAMBER OF COMMERCE

Statements of Activity
For the Year Ended June 30, 2018 & 2017

	2018	2017
Revenue:		
BID and bank assessments	155,430	148,601
SBEP	17,886	17,958
Other government sources	7,200	5,000
Re-Development Program	15,000	-
Memberships	123,584	66,690
Rental Income	14,980	7,045
Special events	46,749	37,774
Newsletter/Advertising	1,400	1,000
Donations	725	1,250
Total Revenues	382,954	285,318
 Expenses:		
Bank charges	141	96
Commissions	19,210	6,888
Contigencies	-	3,550
Design committee	12,500	18,843
Dues & subscriptions	998	935
Health Insurance	10,154	8,996
Insurance	327	1,014
Legal Fees	12,164	320
Maintenance	36,772	29,553
Meetings	5,522	4,725
Office supplies	3,406	4,709
Postage	827	-
Professional fees	8,461	12,838
Promotions	11,594	15,195
Rent & utilities	13,468	6,692
Salaries & payroll taxes	150,467	120,876
Software	3,812	2,550
Special Events	72,117	35,680
Telephone	3,672	276
Travel	4,482	-
Worker's Compensation	1,242	1,143
Total Expenses	371,336	274,879
Increase/(Decrease) in Unrestricted Net Assets	11,618	10,439
 Net Assets, Beginning of Year	4,284	(6,155)
Net Assets, End of Year	15,902	4,284

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

SAN YSIDRO IMPROVEMENT CORPORATION
dba SAN YSIDRO CHAMBER OF COMMERCE
 Statements of Cash Flows
 For the Year Ended June 30, 2018 & 2017

	2018	2017
Cash Flows from Operating Activities:		
Increase/(Decrease) in Unrestricted Net Assets	\$ 11,618	\$ 10,439
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease/(Increase) in Accounts Receivable	(6,677)	311
Decrease/(Increase) in Other Receivable	-	599
Decrease/(Increase) in Prepaid Expenses	(3,330)	(120)
Increase/(Decrease) in Accrued Expenses	(2,900)	(7,030)
Increase/(Decrease) in Accounts Payable	1,597	2,163
Increase/(Decrease) in Deferred Income	(2,169)	6,742
Increase/(Decrease) in Commission Payable	4,306	(9,595)
Total Adjustments	(9,173)	(6,930)
Net Cash Generated/(Used) for Operating Activities	2,445	3,509
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities	-	-
Net Increase/(Decrease) in Cash	2,445	3,509
Cash at Beginning of Period	9,969	6,460
Cash at End of Period	\$ 12,414	\$ 9,969

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

SAN YSIDRO IMPROVEMENT CORPORATION
Db a San Ysidro Chamber of Commerce

Notes to Financial Statements
June 30, 2018

NOTE 1- Summary of Significant Accounting Policies

Nature of Business

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

Depreciation

The Corporation's equipment and furniture are depreciated using the straight-line method over estimated useful lives of five to seven years.

Income tax status

The Corporation has been granted exemption from federal income tax under Section 501(c) 6 of the Internal Revenue Code and similar California law under Sections 9910-9927 of the Corporation codes and is not subject to income taxes on related business income. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, Accounting for Uncertainties in Income Tax, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Corporation has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

Basis of Accounting

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

Use of Estimates in the Preparation of Financial Statements

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

Financial Statement Presentation

Financial statement presentation follows the FASB Accounting Standards Codification No. 958 (ASC 958), "Not-For-Profit Entities" (Formerly Statement of Financial Accounting Standards No. 116 and No. 117). Under ASC 958, the Corporation is required to record and report information regarding its financial position and activities according to three classes of net assets:

- * Unrestricted Net Assets represents the portion of expendable funds that are available for support of the operations of the Corporation
- * Temporarily Restricted Net Assets consists of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Corporation pursuant to those stipulations or that expire by the passage of time.

- * Permanently Restricted Net Assets consists of contributions subject to donor-imposed stipulations that they be maintained permanently by the corporation.

Support and Revenue

Under the San Diego Ordinance that created the Business Improvement District (BID) the City collects a special assessment on behalf of the BID, which is the major source of funding for the corporation. Such amounts are held by the City on behalf of the Corporation and disbursed monthly in the form of reimbursements for programs and services performed by the Corporation.

Other sources of funds are received in the form of grants from the San Diego Small Business Enhancement Fund Program (SBEP). Direct membership assessments made to banks that operate within the business improvement district, special activities and events organized by the corporation to promote the business community.

Subsequent Events

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

The Corporation has evaluated subsequent events through July 28, 2020, which is the date the financial statements are available for issuance and concluded that there were no events or transactions that needed to be disclosed.

NOTE 2 – Accounts Receivable

The balance in accounts receivable of \$11,677 as of June 30, 2018 represents the unpaid claims submitted to the City of San Diego for expenditures occurred through June 30, 2018 and other receivables due from members or clients as follows:

	<u>2018</u>	<u>2017</u>
City of San Diego – SBEP	\$ 527	\$ -
Other Receivables	<u>11,150</u>	<u>5,000</u>
	<u>11,677</u>	<u>5,000</u>

NOTE 3 – Fixed Assets

Fixed assets consisted of the following at June 30, 2018:

	<u>2018</u>	<u>2017</u>
Signage	\$9,980	\$ 9,980
Maintenance Equipment	4,003	4,003
Office Equipment	<u>11,579</u>	<u>11,579</u>
	<u>25,562</u>	<u>25,562</u>

Less accumulated depreciation	<u>(25,562)</u>	<u>(25,562)</u>
Net Fixed Assets	-	-

NOTE 4 – Chamber Activities

During the fiscal year ended on June 30, 2017, the Corporation, with its Board's approval, took on events previously ran by the San Ysidro Chamber of Commerce (a separate and non-related entity). The Corporation's bylaws were amended to reflect the addition of the San Ysidro Chamber of Commerce related activities as part of the Corporation's functions.

NOTE 5 – Pending Lawsuit

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

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

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

The above lawsuits challenge Municipal Defendants' authorization of a variety of tax levies and collections labeled as "assessments" by Municipal Defendants in order to avoid public scrutiny without first obtaining the requisite approval of the voters of the City of San Diego, and the approval of the illegal tax and related contracts in violation of conflict-of-interest laws. Municipal Defendants deny that the challenged assessments are taxes within the relevant definition and that public approval of them is required. On February 2017, San Diegans of Open Government filed a third lawsuit, petition for Writ of Mandate under the California Public Records Act and Other Laws. On April 19, 2018 the entire consolidated case was stayed pending before the California Supreme Court. As of August 28, 2018, the matter is still stayed, pursuant to the Court's agreement to stay the matter. A status conference is scheduled for May 8, 2020, at which time it is hoped that this matter will proceed.