

**THIRD AVENUE VILLAGE ASSOCIATION**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

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**FOR THE YEAR ENDED DECEMBER 31, 2019**

***THIRD AVENUE VILLAGE ASSOCIATION***  
***Financial Statements and Independent Auditor's Report***  
***Year Ended December 31, 2019***

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INDEPENDENT AUDITOR'S REPORT

**ARMANDO MARTINEZ & COMPANY**  
**Certified Public Accountants**  
**365 Church Avenue, Chula Vista, CA 91910**  
**(619) 427-1981 • FAX (619) 427-2576**

To the Board of Directors of  
Third Avenue Village Association  
Chula Vista, California

Independent Auditor's Report

We have audited the accompanying financial Statements of Third Avenue Village Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 statement.

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 Third Avenue Village Association as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

November 15, 2020  
*Armando Martinez + Co. CPAs*

## FINANCIAL STATEMENTS

*Third Avenue Village Association*  
*Statement of Financial Position*  
*December 31, 2019*

ASSETS

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Cash	\$ 268,382
Accounts receivable	37,943
Deposit and prepaid expenses	8,649
Property and equipment, net (Note 5)	<u>35,230</u>
Total assets	<u><u>\$ 350,204</u></u>

LIABILITIES AND NET ASSETS

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Liabilities:	
Accounts payable	\$ 13,661
Accrued compensation expense	18,018
Deferred revenue (Note 6)	<u>7,600</u>
Total liabilities	<u>39,279</u>
Net Assets:	
Without donor restrictions	310,925
With donor restrictions	<u>0</u>
Total net assets	<u>310,925</u>
Total Liabilities and net assets	<u><u>\$ 350,204</u></u>

The accompanying notes are an integral part of the financial statements

*Third Avenue Village Association  
Statement of Activities  
Year Ended December 31, 2019*

	<u>BID</u>	<u>PBID</u>	<u>Total</u>
<u>Revenues and other support without donor restriction</u>			
Property Owners' Assessment		\$ 451,322	\$ 451,322
Business Owners' Assessment	\$ 19,634		19,634
Event revenue	40,442	19,612	60,054
In-kind contributions		3,160	3,160
Grants		7,900	7,900
Other	500	0	500
Total revenues and other support without restriction	<u>60,576</u>	<u>481,994</u>	<u>542,570</u>
<u>Expenses</u>			
Compensation and payroll taxes		272,291	272,291
Outside services		50,654	50,654
Advertising and promotions	2,500	14,304	16,804
Occupancy costs		49,875	49,875
Office expense		13,245	13,245
Insurance and workers compensation		25,007	25,007
Maintenance service		26,581	26,581
Utilities		13,521	13,521
Legal and professional fees		24,146	24,146
Event expense	33,851	20,389	54,240
Depreciation		5,786	5,786
Other expenses		3,348	3,348
Total expenses	<u>36,351</u>	<u>519,147</u>	<u>555,498</u>
Increase in net assets without donor restriction	<u>\$ 24,225</u>	<u>\$ (37,153)</u>	<u>\$ (12,928)</u>

The accompanying notes are an integral part of the financial statements

*Third Avenue Village Association  
Statement of Changes in Net Assets  
Year Ended December 31, 2019*

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	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
Total revenues and other support	\$0	\$542,570	\$542,570
Other expenses	<u>0</u>	<u>(555,498)</u>	<u>(555,498)</u>
Increase in net assets	0	(12,928)	(12,928)
Net assets - beginning of year	<u>0</u>	<u>323,853</u>	<u>323,853</u>
Net assets - end of year	<u><u>\$0</u></u>	<u><u>\$310,925</u></u>	<u><u>\$310,925</u></u>

The accompanying notes are an integral part of the financial statements



*Third Avenue Village Association*  
*Statement of Cash Flows*  
*December 31, 2019*

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CASH FLOWS USED IN OPERATING ACTIVITIES

Decrease in net assets	\$ (12,928)	
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	5,786	
Increase in accounts receivable	(15,581)	
Increase in deposit and prepaid expenses	(4,526)	
Increase in Accounts Payable	1,565	
Increase in accrued compensation expense	982	
Decrease in deferred revenue	<u>(1,900)</u>	
Net cash used in operating activities		\$ (26,602)
Cash at beginning of year		<u>294,984</u>
Cash at end of year		<u><u>\$ 268,382</u></u>

The accompanying notes are an integral part of the financial statements

THIRD AVENUE VILLAGE ASSOCIATION  
Notes to Financial Statements  
December 31, 2019

Note 1. ORGANIZATION

Third Avenue Village Association (“the Association”) is a California not-for-profit public benefit corporation. The Association was established to:

- a. Enhance and promote the economic interest of Downtown Chula Vista as the Association for cultural, civic, and social activities.
- b. Encourage, stimulate, and improve the business conditions in Downtown Chula Vista for retailers, restaurants, entertainment establishments, service businesses and professionals, and to promote retail and other commercial activities in the area.
- c. Improve and preserve the appearance through enhanced maintenance activities, such as graffiti removal, power washing of sidewalks and landscaping.
- d. Organize and operate programs, events, and festivals for the promotion and betterment of business in Downtown Chula Vista.
- e. Promote a positive identity for the area through advertising and public relations programs and the sponsorship of public events, promotions, and festivals.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Association reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors or grantors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

THIRD AVENUE VILLAGE ASSOCIATION  
Notes to Financial Statements  
December 31, 2019

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Income Taxes

The Association, a not-for-profit organization operating under Section 501(c)(6) of the Internal Revenue Code and Section 23701d of the California Revenue Taxation Code, is exempt from federal, state, and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

The Association's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Property and Equipment

The Organization capitalizes all expenditures of property and equipment in excess of \$500. Purchased property and equipment are stated at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed under the straight-line method, with estimated useful lives ranging from five to fifteen years.

Automobile	5 years
Equipment	5 years
Furniture	7-15 years

Advertising Costs

The Association expenses advertising and communication costs as they are incurred.

THIRD AVENUE VILLAGE ASSOCIATION  
Notes to Financial Statements  
December 31, 2019

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with various committee assignments. Contributed services through volunteers are not recorded in the financial statements for donated services as they generally do not meet the criteria described above.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, management believes that differences, if any, would not be significant.

Note 3. PROPERTY BUSINESS IMPROVEMENT DISTRICT FUNDS

The Downtown Chula Vista Property Based Improvement District (PBID) is a special benefit assessment district that conveys special benefits to the properties located within the district boundaries. The PBID is funded by an assessment levied on the property owners located within the district. The assessment is calculated using acreage and street frontage.

The Association provides and contracts services to allow the PBID to carry out its nature of activities related to the marketing and maintenance of downtown Chula Vista, including cleaning, safety and information, and enhancing the image of downtown Chula Vista. The PBID was established in 2001 and last renewed in January 2017 for ten years.

Note 4. BUSINESS IMPROVEMENT DISTRICT FUNDS

The Business Improvement District (BID) was established in 1971 to promote events and retail trade in addition to decorating and furnishing music in public places in downtown Chula Vista. The Association provides such services on behalf of business owners located in the BID. The City of Chula Vista collects an additional amount from each business owner at the same time it levies the annual business license. The additional amount imposed by the BID varies depending on the type of business.

THIRD AVENUE VILLAGE ASSOCIATION  
Notes to Financial Statements  
December 31, 2019

Note 4. BUSINESS IMPROVEMENT DISTRICT FUNDS (Continued)

The Association requests reimbursement for qualified expenses incurred to the extent there is a balance on hand in the BID account held by the City of Chula Vista.

Note 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 consist of the following:

Automobile	\$ 17,527
Office equipment and furniture	16,604
Design improvements	48,995
Less accumulated depreciation	<u>(47,896)</u>
Net property and equipment	<u>\$ 35,230</u>

Note 6. DEFERRED REVENUE

Deferred revenue represents revenue received on or before December 31, 2019 for unspent County Community Enhancement grant. Revenue is recognized in the period that the related expenses are incurred.

Note 7. OPERATING LEASE COMMITMENTS

The Association leases office space in Downtown Chula Vista. The lease was renewed in October 2019 and expires in December 31, 2026.

Total rental expense for year ended December 31, 2019 was \$42,852. Minimum rent payments for the year ending December 31 are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 44,566
2021	46,349
2022	48,203
2023	50,130
2024	52,136
Thereafter	<u>110,612</u>
	<u>\$ 351,996</u>

THIRD AVENUE VILLAGE ASSOCIATION  
Notes to Financial Statements  
December 31, 2019

Note 8. EVENTS

The Association organizes and operates several events during the year to promote Downtown Chula Vista. The events include the Lemon Festival, Taste of Third, Avenue Amps & Ales, and Fall Pub Crawl. The primary sources of event revenue are booth rental fees, grant, and sponsorship.

Note 9. COVID-19

In December 2019, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally has caused business disruption in the areas the Organization operates. On March 16, 2020, as a result of consideration of both state and federal COVID-19 guidelines, the Association temporarily closed its offices to the public. However, the Association continues to maintain downtown Chula Vista by cleaning and enhancing its image. (See Note 10).

Note 10. SUBSEQUENT EVENTS

The extent of the impact of Covid-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its members, employees, and vendors, all of which are uncertain and presently cannot be predicted. However, at this point, the extent to which Covid-19 may impact its financial condition and results of operations is not significant.

The Organization has evaluated all subsequent events through November 15, 2020, which is the date the financial statements were available for issuance. No significant subsequent events have been identified that would require adjustment or disclosure in the accompanying financial statements.