

THIRD AVENUE VILLAGE ASSOCIATION

UNAUDITED FINANCIAL STATEMENTS

(REVIEW)

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FOR THE YEAR ENDED DECEMBER 31, 2021

THIRD AVENUE VILLAGE ASSOCIATION
Financial Statements and Independent Auditor's Report
Year Ended December 31, 2020

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ACCOUNTANT'S REVIEW REPORT

ARMANDO MARTINEZ & COMPANY
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To the Board of Directors of
Third Avenue Village Association
Chula Vista, California

Independent Accountants' Review Report

We have reviewed the accompanying financial statements of Third Avenue Village Association (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

June 24, 2022

Armando Martinez + Co. CPAs

FINANCIAL STATEMENTS

*Third Avenue Village Association
Statement of Financial Position
December 31, 2021*

ASSETS

Cash	\$ 238,968
Accounts receivable	26,901
Deposit and prepaid expenses	11,882
Property and equipment, net (Note 5)	<u>68,594</u>
Total assets	<u><u>\$ 346,345</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 5,971
Accrued compensation expense	1,396
Deferred revenue (Note 8)	<u>173,099</u>
Total liabilities	<u>180,466</u>
Net Assets:	
Without donor restrictions	165,879
With donor restrictions	<u>0</u>
Total net assets	<u>165,879</u>
Total Liabilities and net assets	<u><u>\$ 346,345</u></u>

The accompanying notes are an integral part of the financial statements

Third Avenue Village Association
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and support</u>			
Property Owners' Assessment	\$ 453,303	\$ 0	\$ 453,303
Business Owners' Assessment	18,286	0	18,286
Event revenue (Note 7)	18,154	0	18,154
Other	1,721	0	1,721
Total revenues and support	<u>491,464</u>	<u>0</u>	<u>491,464</u>
<u>Expenses</u>			
Program services:			
District Identity and Placemaking	70,324	0	70,324
Civil Sidewalks	315,671	0	315,671
Total program services	<u>385,995</u>	<u>0</u>	<u>385,995</u>
Supporting services:			
General and administrative expenses	221,347	0	221,347
Total expenses	<u>607,342</u>	<u>0</u>	<u>607,342</u>
Change in net assets from operating activities	(115,878)	0	(115,878)
Net assets at beginning of the year	281,757	0	281,757
Net assets at end of the year	<u>\$ 165,879</u>	<u>\$ 0</u>	<u>\$ 165,879</u>

The accompanying notes are an integral part of the financial statements

*Third Avenue Village Association
Statement of Functional Expenses
For the Year Ended December 31, 2021*

	<u>Program & Events</u>	<u>General & Administrative</u>	<u>Total</u>
<u>Revenues and support</u>			
Advertising and promotion	\$ 45,722	\$ 9,937	\$ 55,659
Insurance	7,731	14,225	21,956
Legal and professional fees	0	41,874	41,874
Occupancy costs	0	53,364	53,364
Office expense	680	11,839	12,519
Other expense	2,799	641	3,440
Depreciation	9,950	431	10,381
Outside services (Note 9)	124,819	420	125,239
Maintenance service	18,178	0	18,178
Salary, benefits, and payroll taxes	134,265	88,616	222,881
Uniform	4,619	0	4,619
Utilities	12,716	0	12,716
Event	24,516	0	24,516
Total expenses	<u>385,995</u>	<u>221,347</u>	<u>607,342</u>

The accompanying notes are an integral part of the financial statements

Third Avenue Village Association
Statement of Cash Flows
December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (115,878)	
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	10,381	
Increase in accounts receivable	(2,176)	
Increase in deposit and prepaid expenses	(3,663)	
Increase in accounts payable	1,293	
Decrease in accrued compensation expense	(12,239)	
Increase in deferred revenue	<u>173,099</u>	
Net cash from operating activities		\$ 50,817

CASH USED FOR INVESTMENT ACTIVITIES

Purchase of property and equipment	<u>(49,306)</u>	
Net increase in cash		1,511
Cash at beginning of year		<u>237,457</u>
Cash at end of year		<u><u>\$ 238,968</u></u>

The accompanying notes are an integral part of the financial statements

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
December 31, 2021

Note 1. ORGANIZATION

Third Avenue Village Association (“the Association”) is a California not-for-profit mutual 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, 2021

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 2018, 2019, and 2020 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, 2021

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, 2021

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, 2020 consist of the following:

Automobile	\$ 17,527
Office equipment and furniture	16,604
Design improvements	98,302
Less accumulated depreciation	<u>(63,839)</u>
Net property and equipment	<u>\$ 68,594</u>

Note 6. 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, 2021 was \$46,351. Minimum rent payments for the year ending December 31 are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 48,203
2023	50,130
2024	52,136
2025	54,222
2026	56,390
Thereafter	<u>0</u>
	<u>\$ 261,081</u>

Note 7. 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, Dia De Los Muertos, and Holiday Event. The primary sources of event revenue are booth rental fees, grant, and sponsorship. However, because of the impact of COVID-19, attendance level at the events was down compared to normal years, resulting in less revenue.

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
December 31, 2021

Note 8. DEFERRED REVENUE

Deferred or unearned revenue represents revenue received on or before December 31, 2021 for advance payment of 2022 property owners' assessment. Property assessment is recognized as revenue in the period for which it is levied.

Note 9. OUTSIDE SERVICES

For the fiscal year ended December 31, 2021, the Association contracted the following services to outside vendors:

Landscaping	\$ 10,776
Sidewalk pressure washing	38,832
Administration	72,000
Other	<u>3,631</u>
Total	<u>\$125,239</u>

Note 10. STAFFING AND ADMINISTRATION CHANGES

In its April 2021 meeting, the Association's board of directors voted not to extend its Executive Director's contract which ended on June 30, 2021. It decided instead to hire a management company. In August 2021, the Association entered into an agreement with New City America, Inc. to administer the Association's PBID and BID with initial term from August 16, 2021 to December 31, 2022, with four additional one-year extension terms subject to the Board's approval. See also Notes 9 and 11.

Note 11. RELATED PARTIES

During the year ended December 31, 2021, the Association paid New City America, Inc. \$72,000 to manage the PBID and BID for the services from August 16 to December 31, 2021. During this period, the Association's Executive Director is also the President and owner of New City America, Inc. See also Notes 9 and 10.

Note 12. SUBSEQUENT EVENTS

The Association has evaluated all subsequent events through June 24, 2022, 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.