

THIRD AVENUE VILLAGE ASSOCIATION

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017

THIRD AVENUE VILLAGE ASSOCIATION
Financial Statements and Independent Auditor's Report
For the Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

ARMANDO MARTINEZ & COMPANY
Certified Public Accountants
365 Church Avenue, Chula Vista, CA 91910
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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 June 30, 2017, and the related statements of activities and 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 June 30, 2017, 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 7, 2017

Armando Martinez + Co. CPAs

FINANCIAL STATEMENTS

Third Avenue Village Association
Statement of Financial Position
June 30, 2017

ASSETS

Cash (Note 5)	\$413,593
Accounts Receivable	6,421
Deposit and Prepaid Expenses	3,296
Property and Equipment, net (Note 6)	<u>27,919</u>
Total Assets	<u><u>\$451,229</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts Payable	\$ 20,925
Accrued Compensation and Benefits	4,492
Deferred Revenue (Note 7)	<u>18,555</u>
Total Liabilities	<u>43,972</u>
Net Assets:	
Unrestricted	407,257
Temporarily Restricted	0
Permanently Restricted	<u>0</u>
Total Net Assets	<u>407,257</u>
Total Liabilities and Net Assets	<u><u>\$451,229</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
June 30, 2017

	Temporarily <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<u>Revenue</u>			
Property Owners' Assessment - PBID		\$ 449,943	\$ 449,943
In-kind Contributions	\$ 22,100		22,100
Event Revenue		81,139	81,139
Maintenance Revenue		15,000	15,000
Grants	8,016		8,016
Interest Income		5	5
Other Revenue		400	400
Net Assets release from restriction:			
Satisfaction of donor requirements	<u>(30,116)</u>	<u>30,116</u>	<u>0</u>
Total Revenue	0	576,603	576,603
<u>Expenses</u>			
Compensation and Benefits		243,675	243,675
Outside Services		50,931	50,931
Advertising and Promotions		5,363	5,363
Occupancy Costs		47,115	47,115
Office Expense		15,663	15,663
Insurance and Workers Compensation		22,923	22,923
Equipment Rental and Maintenance		17,567	17,567
Contribution to Third Avenue Streetscape		20,000	20,000
Utilities		11,445	11,445
Event expense		80,219	80,219
Depreciation		5,798	5,798
Other expenses		797	797
Total Expenses	<u>0</u>	<u>521,496</u>	<u>521,496</u>
Change in Net Assets	0	55,107	55,107
Net Assets - Beginning of year	<u>0</u>	<u>352,150</u>	<u>352,150</u>
Net Assets - End of year	<u>\$ 0</u>	<u>\$ 407,257</u>	<u>\$ 407,257</u>

The accompanying notes are an integral part of the financial statements

Third Avenue Village Association
Statement of Cash Flows
June 30, 2017

CASH FLOWS GENERATED BY OPERATING ACTIVITIES

Increase in net assets	\$ 55,107	
Adjustments to reconcile increase in net assets to net cash generated by operating activities:		
Depreciation	5,798	
Decrease in Accounts Receivable	32,490	
Decrease in Deposit and Prepaid Expenses	1,458	
Decrease in Accounts Payable	(2,970)	
Increase in Accrued Compensation and Benefits	351	
Increase in Deferred Revenue	2,955	
	<hr/>	
Net cash generated by operating activities		\$ 95,189
Cash at beginning of year		<hr/> 318,404
Cash at end of year		<hr/> <hr/> \$ 413,593

The accompanying notes are an integral part of the financial statements

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
June 30, 2017

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 center 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

Financial statement presentation follows the recommendation of the FASB Accounting Standards Codification 958 *Financial Statements of Not-for-Profit Organizations*. The Association is required to report its financial position and activities according to three classes of net assets:

Unrestricted – Include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Association. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
June 30, 2017

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily Restricted – Include those assets subject to restrictions on their use that can be fulfilled either by actions of the Association pursuant to those restrictions or the passage of time.

Permanently Restricted – Include those assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Association. Generally, the donors permit the Association to use all or part of the income earned for either general or donor-specified purposes. No permanently restricted assets were held during the current fiscal year. Accordingly, these financial statements do not reflect any activity related to this class of net assets.

Income Taxes

The Association, a not-for-profit organization operating under Section 501(c)(6) of the Internal Revenue Code and Section 23701(d) 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 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Property and Equipment

Property and equipment are stated at cost. 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

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.

Advertising Costs

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

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
June 30, 2017

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.

Note 3. PROPERTY BUSINESS IMPROVEMENT DISTRICT FUNDS (PBID)

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 renewed in June 2016 for the next ten years: from January 1, 2017 to December 31, 2026.

For the fiscal year ended June 30, 2017, the Association recognized PBID revenue of \$449,943.

Note 4. BUSINESS IMPROVEMENT DISTRICT FUNDS (BID)

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.

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. For the fiscal year ended June 30, 2017, the Association recognized BID revenue of \$0.

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
June 30, 2017

Note 5. CASH

For the statement of financial position and statement of cash flows purposes, cash is defined as all monies in checking, money market, and certificate of deposit. The cash balance as of June 30, 2017 was as follows:

Checking account	\$ 403,073
Money Market	<u>10,520</u>
Total	<u>\$ 413,593</u>

Note 6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 consist of the following:

Automobile	\$ 3,400
Office equipment and furniture	15,374
Design improvements	48,995
Website	6,000
Less accumulated depreciation	<u>(45,850)</u>
Net property and equipment	<u>\$ 27,919</u>

Note 7. DEFERRED REVENUE

Deferred revenue represents event revenue received on or before June 30, 2017 for Lemon Festival scheduled in the following fiscal year (in August 2017). Revenue is recognized in the period that the related expenses are incurred.

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 a weekly Farmers Market. The primary sources of event revenue are booth rental fees, grant, and sponsorship.

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
June 30, 2017

Note 9. OPERATING LEASE COMMITMENTS

The Association leases a copier under a noncancelable operating lease which expires in February 2018. Total lease payments related to the operating lease for the fiscal year ended June 30, 2017 were \$3,812.

Future minimum lease payments for the years ending June 30 are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 1,862
2019	0
2020	0
2021	0
2022	0
Thereafter	<u>0</u>
	<u>\$ 1,862</u>

In addition, the Association leases office space in Downtown Chula Vista. The lease was renewed in September 2016 and expires in December 31, 2018.

Total rental expense for the fiscal year ended June 30, 2017 was \$41,400. Minimum rent payments for the year ending June 30 are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 41,400
2019	20,700
2020	0
2021	0
2022	0
Thereafter	<u>0</u>
	<u>\$ 62,100</u>