

THIRD AVENUE VILLAGE ASSOCIATION

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

* * * * *

FOR THE SHORT YEAR ENDED DECEMBER 31, 2017

THIRD AVENUE VILLAGE ASSOCIATION
Financial Statements and Independent Auditor's Report
For the Short Year Ended December 31, 2017

CONTENTS

	Page
Independent Auditor's Report	1
 <u>Financial Statements</u>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-9

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, 2017, and the related statements of activities and changes in net assets and cash flows for the short year then ended (i.e. July 1, 2017 to December 31, 2017), 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, 2017, and the changes in its net assets and its cash flows for the short year then ended in accordance with accounting principles generally accepted in the United States of America.

June 25, 2018

Armando Martinez + Co. CPAs

FINANCIAL STATEMENTS

Third Avenue Village Association
Statement of Financial Position
December 31, 2017

ASSETS

Cash (Note 5)	\$ 201,244
Accounts Receivable	27,611
Deposit and Prepaid Expenses	3,215
Property and Equipment, net (Note 6)	<u>25,974</u>
Total Assets	<u><u>\$ 258,044</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts Payable	\$ 14,135
Accrued Compensation and Benefits	4,896
Deferred Revenue (Note 7)	<u>9,000</u>
Total Liabilities	<u>28,031</u>
Net Assets:	
Unrestricted	230,013
Temporarily Restricted	0
Permanently Restricted	<u>0</u>
Total Net Assets	<u>230,013</u>
Total Liabilities and Net Assets	<u><u>\$ 258,044</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
Short Year Ended December 31, 2017

	Temporarily <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<u>Revenue</u>			
Event Revenue		\$ 36,682	\$ 36,682
In-kind Contributions	\$ 250		250
Business Owners' Assessment - BID		22,611	22,611
Grants		3,000	3,000
Interest Income		3	3
Other Revenue		1,688	1,688
Net Assets release from restriction:			
Satisfaction of donor requirements	(250)	250	0
Total Revenue	0	64,234	64,234
<u>Expenses</u>			
Compensation and Benefits		120,643	120,643
Outside Services		25,012	25,012
Advertising and Promotions		1,299	1,299
Occupancy Costs		23,495	23,495
Office Expense		7,498	7,498
Insurance and Workers Compensation		9,788	9,788
Equipment Rental and Maintenance		7,939	7,939
Utilities		6,539	6,539
Event expense		36,550	36,550
Depreciation		1,945	1,945
Other expenses		770	770
Total Expenses	0	241,478	241,478
Change in Net Assets	0	(177,244)	(177,244)
Net Assets - Beginning of year	0	407,257	407,257
Net Assets - End of year	\$ 0	\$ 230,013	\$ 230,013

The accompanying notes are an integral part of the financial statements

Third Avenue Village Association
Statement of Cash Flows
December 31, 2017

CASH FLOWS USED BY OPERATING ACTIVITIES

Decrease in net assets	\$ (177,244)	
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	1,945	
Increase in Accounts Receivable	(21,190)	
Decrease in Deposit and Prepaid Expenses	81	
Decrease in Accounts Payable	(6,790)	
increase in Accrued Compensation and Benefits	404	
Decrease in Deferred Revenue	<u>(9,555)</u>	
Net cash used by operating activities		\$ (212,349)
Cash at beginning of year		<u>413,593</u>
Cash at end of year		<u>\$ 201,244</u>

The accompanying notes are an integral part of the financial statements

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

Change of Financial Year End

During its May 4, 2016 meeting, the Board of Director voted to change the Association's financial year end from June 30 to December 31 to match to the operating period in the cooperative agreement with City of Chula Vista, which runs from January 1 to December 31. The change is to begin in 2018. Thus, this short year covers the period from July 1, 2017 to December 31, 2017.

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

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
December 31, 2017

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 January 2007 for ten years.

For the short year ended December 31, 2017, the Association recognized PBID revenue of \$0 because most of PBID revenue comes from January to June of each year.

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
December 31, 2017

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 short year ended December 31, 2017, the Association recognized BID revenue of \$22,611.

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 December 31, 2017 was as follows:

Checking account	\$ 190,871
Money Market	<u>10,373</u>
Total	<u>\$ 201,244</u>

Note 6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 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>(47,795)</u>
Net property and equipment	<u>\$ 25,974</u>

THIRD AVENUE VILLAGE ASSOCIATION
Notes to Financial Statements
December 31, 2017

Note 7. DEFERRED REVENUE

Deferred revenue represents revenue received on or before December 31, 2017 for unspent Neighborhood Reinvestment Program and SDG&E Customer Solutions grants. 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 Fall Pub Crawl. The primary sources of event revenue are booth rental fees, grant, and sponsorship.

Note 9. OPERATING LEASE COMMITMENTS

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 short year ended December 31, 2017 was \$20,700. Minimum rent payments for the year ending December 31 are as follows:

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