

**La Jolla Village
Merchants Association
Financial Statements
June 30, 2025**



Presented by
Pinnacle Accounting & Financial Services
A Professional Corporation

**La Jolla Village
Merchants Association
Financial Statements
June 30, 2025**

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Pinnacle Accounting
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
La Jolla Village Merchants Association
La Jolla, CA 92037

We have reviewed the accompanying financial statements of La Jolla Village Merchants Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expense, 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 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.

Responsibilities of Management for the Financial Statements

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.

We are required to be independent of La Jolla Village Merchants Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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.

Report on Summarized Comparative Information

We have previously reviewed La Jolla Village Merchants Association's June 30, 2024, financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated March 05, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pinnacle Accounting & Financial Services

Pinnacle Accounting & Financial Services
Sacramento, CA
November 12, 2025

La Jolla Village Merchants Association
Statement of Financial Position
June 30, 2025
(With Comparative Totals for 2024)

	2025			2024
	<u>LJVMA</u>	<u>LJCAP</u>	<u>Total</u>	<u>Total</u>
ASSETS:				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 145,728	\$ 17,828	\$ 163,556	\$ 145,423
Accounts Receivable	20,330	-	20,330	9,324
Prepaid Insurance	2,852	-	2,852	3,787
Security Deposits	1,358	-	1,358	1,358
TOTAL CURRENT ASSETS	<u>170,268</u>	<u>17,828</u>	<u>188,096</u>	<u>159,892</u>
NON-CURRENT ASSETS				
Furniture & Equipment	39,363	-	39,363	39,363
Website	21,050	-	21,050	21,050
Less: Accumulated Depreciation	<u>(60,413)</u>	<u>-</u>	<u>(60,413)</u>	<u>(60,413)</u>
Total Fixed Assets	-	-	-	-
Operating lease right-of-use asset, net	22,518	-	22,518	38,161
TOTAL NON-CURRENT ASSETS	<u>22,518</u>	<u>-</u>	<u>22,518</u>	<u>38,161</u>
TOTAL ASSETS	<u>\$ 192,786</u>	<u>\$ 17,828</u>	<u>\$ 210,614</u>	<u>\$ 198,052</u>
LIABILITIES:				
CURRENT LIABILITIES				
Deferred BID Advances	\$ 15,000	\$ -	\$ 15,000	\$ 25,000
Operating Lease Liabilities, Current Portion	17,234	-	17,234	16,238
TOTAL CURRENT LIABILITIES	<u>32,234</u>	<u>-</u>	<u>32,234</u>	<u>41,238</u>
NON-CURRENT LIABILITIES				
Operating Lease Liabilities, Net of Current Portion	5,914	-	5,914	23,148
TOTAL NON-CURRENT LIABILITIES	<u>5,914</u>	<u>-</u>	<u>5,914</u>	<u>23,148</u>
NET ASSETS:				
Without Donor Restrictions	<u>154,638</u>	<u>17,828</u>	<u>172,466</u>	<u>133,666</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 192,786</u>	<u>\$ 17,828</u>	<u>\$ 210,614</u>	<u>\$ 198,052</u>

See accompanying notes to the financial statements.

La Jolla Village Merchants Association
Statement of Activities
For the Year Ended June 30, 2025
(With Summarized Comparative Totals for 2024)

	2025			2024
	<u>LJVMA</u>	<u>LJCAP</u>	<u>Total</u>	<u>Total</u>
Revenue and support:				
City of San Diego - BID Assessments	\$ 163,085	\$ -	\$ 163,085	\$ 141,374
Grant Income	73,904	-	73,904	56,500
Banners	43,902	-	43,902	20,750
City of San Diego - SBEP Management	36,696	-	36,696	22,761
Donations	4,160	-	4,160	1,776
Special Events	2,922	-	2,922	-
Associate Memberships	840	-	840	1,680
Other Income	36	-	36	71
Total revenue and support	<u>325,545</u>	<u>-</u>	<u>325,545</u>	<u>244,912</u>
Expenses:				
Program Services	253,221	-	253,221	212,665
Supporting Services	33,524	-	33,524	59,907
Total expenses	<u>286,745</u>	<u>-</u>	<u>286,745</u>	<u>272,572</u>
Change in net assets	38,801	-	38,801	(27,660)
Net assets, beginning of year	<u>115,838</u>	<u>17,828</u>	<u>133,666</u>	<u>161,326</u>
Net assets, end of year	<u>\$ 154,638</u>	<u>\$ 17,828</u>	<u>\$ 172,466</u>	<u>\$ 133,666</u>

See accompanying notes to the financial statements.

La Jolla Village Merchants Association
Statement of Functional Expenses
For the Year Ended June 30, 2025
(With Summarized Comparative Totals for 2024)

	2025					2024
	LJVMA Program Services	LJVMA Support Services	LJCAP Program Services	LJCAP Support Services	Total	Total
Expenses:						
Payroll						
Salaries and Wages	\$ 99,360	\$ 11,199	\$ -	\$ -	\$ 110,559	\$ 102,977
Employee Benefits	12,617	9,336	-	-	21,953	25,092
Payroll Taxes	6,613	1,999	-	-	8,612	8,074
Total Payroll	118,590	22,534	-	-	141,124	136,142
Promotion	32,667	-	-	-	32,667	107
Event Expenses	24,760	7,318	-	-	32,077	27,498
Lease costs	15,643	-	-	-	15,643	15,189
Accounting/Bookkeeping	12,800	2,400	-	-	15,200	12,000
Marketing/ Graphic Design	11,684	130	-	-	11,814	13,282
Website Maintenance	10,000	79	-	-	10,079	29,412
Banner / Benches / Other	9,355	-	-	-	9,355	14,427
Audit	4,625	-	-	-	4,625	4,950
Internet - IT Maintenance	3,827	84	-	-	3,911	4,406
Co-op Advertising	2,490	457	-	-	2,947	3,808
Dues and Subscriptions	1,659	105	-	-	1,764	1,237
Telephone	1,472	211	-	-	1,684	2,938
Utilities	1,255	115	-	-	1,371	1,508
Professional Fees	1,160	-	-	-	1,160	150
Rent	862	-	-	-	862	1,584
Election Costs	372	-	-	-	372	344
Office Expense	-	91	-	-	91	214
Decorative (Roof Line) Lighting	-	-	-	-	-	2,011
Office Equipment	-	-	-	-	-	1,363
Total Expenses	\$ 253,221	\$ 33,524	\$ -	\$ -	\$ 286,745	\$ 272,572

See accompanying notes to the financial statements.

La Jolla Village Merchants Association
Statement of Cash Flows
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 38,801	\$ (27,660)
Adjustments to reconcile change in net assets to net cash provide (used) by operating activities		
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts Receivable	(11,006)	2,433
Prepaid Insurance	935	(84)
Increase (decrease) in:		
Accounts Payable	-	(5,369)
Lease Liabilities	16,238	(32,826)
Deferred BID Advances	10,000	(14,297)
Net Cash on Leases	(36,834)	61,541
Net cash provided (used) by operating activities	<u>18,133</u>	<u>(16,262)</u>
Net increase (decrease) in cash and cash equivalents	18,133	(16,262)
Cash and cash equivalents, beginning of year	<u>145,423</u>	<u>161,685</u>
Cash and cash equivalents, end of year	\$ <u>163,556</u>	\$ <u>145,423</u>

See accompanying notes to the financial statements.

La Jolla Village Merchants Association

Notes to Financial Statements For the Year Ended June 30, 2025

Note 1. Organization and Nature of Activities

The La Jolla Village Merchants Association (LJVMA) was formed in May 2011 as a non-profit mutual benefit corporation. Its purpose is to enhance the growth and improvement of the La Jolla downtown area through partnerships created with the community's business and property owners. These partnerships provide the means to promote economic growth while preventing the deterioration of the community.

Currently, LJVMA manages the La Jolla Business Improvement District (BID), in partnership with the City of San Diego. This District includes businesses and property owners located within a 30-block area within the La Jolla Village area. LJVMA's Board of Directors includes owners of businesses or property located within the Business Improvement District as well as Associate members who own businesses outside of the District. LJVMA's activities include organizing through governance and community liaisons, stimulating economic growth, design and ambiance in the District, and promoting of the District through events, marketing, and publicity.

LJVMA became the Fiduciary Agent for the La Jolla Coastal Access and Parking (LJCAP) Agency on January 1, 2013. LJCAP managed an employee discounted parking program in La Jolla, California until February 28, 2019. LJCAP suspended operations during the year ended June 30, 2020. LJCAP still holds cash balances in one bank which has been reported in the financial statements herein.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting - LJVMA's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, resulting in related receivables and payables. The BID Agreement also requires an audit be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - LJVMA reports information regarding its financial position and activities according to recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Entities, and Accounting Standards Update (ASU) No. 2016-14 Presentation of Financial Statements for Not-for-Profit Entities. Under ASC 958 and ASU 2016-14, LJVMA reports net assets, revenues, gains, and losses based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

LJVMA did not have any net assets with donor restrictions as of June 30, 2025.

Cash and Cash Equivalents - For purposes of the statement of cash flows, LJVMA considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. LJVMA had no cash equivalents at June 30, 2025.

La Jolla Village Merchants Association

Notes to Financial Statements

For the Year Ended June 30, 2025

Note 2. Summary of Significant Accounting Policies (continued)

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with LJVMA's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Concentrations of Credit Risk - LJVMA and LJCAP maintain cash balances in two accounts at two financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and LJVMA and LJCAP have not exceeded this limit as of June 30, 2025. The concentration of credit risks with respect to trade receivables are limited, as the majority of LJVMA's receivables consist of earned fees from reimbursement-contracts granted by the City of San Diego.

Prepaid Expenses - Expense items of a nature which will benefit future periods are charged to the prepaid expense account and are amortized over the actual periods benefited.

Deferred Revenue - BID advances collected prior to the fiscal year to which they apply are deferred and recognized over the periods to which the BID assessments relate.

Donated Materials, Services and Free Use of Facilities - Donated goods and services are recognized as contributions in the period received if the goods or services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by LJVMA.

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value Measurements - LJVMA follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. This guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 input consists of unadjusted quoted prices in active markets for identical instruments and has the highest priority.

Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable.

Level 3 inputs are unobservable and are given the lowest priority.

Functionalized Expenses - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office administration and all costs associated with the use of the office, professional services, information technology, insurance, and other expenses that are listed on the Statement of Activities, which are allocated on the basis of estimates of time and effort of each employee in the respective program and/or supporting function.

La Jolla Village Merchants Association

Notes to Financial Statements For the Year Ended June 30, 2025

Note 2. Summary of Significant Accounting Policies (continued)

Promises to Give (Pledges) - Unconditional promises to give are recognized as contributions in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefit received. Promises to give are recorded at net realizable value if they are expected to be collected within one year and at net present value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are met. LJVMA did not have any promises to give at June 30, 2025.

Property and Equipment - Property and equipment are recorded at purchased cost or at fair value at the date of donation if donated. Maintenance and repairs costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. During the year ended June 30, 2025, LJVMA did not purchase any capital assets.

While the City has retained title to these assets and in the event of contract non-compliance or termination, the City may recover the capital equipment and transfer it to another entity. LJVMA's policy is to capitalize such assets in accordance with GAAP. Accordingly, this equipment has been capitalized on the statement of financial position. There was no depreciation expense for the year ended June 30, 2024, as all property and equipment is fully depreciated. Previous depreciation was provided over the 3-5 year estimated useful lives of the respective assets on a straight-line basis.

Revenue and Revenue Recognition - Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Program service fees and payments under cost-reimbursable contracts with the City of San Diego received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Conditional promises to give, that is, those with measurable performance or other barrier and right to return are not recognized until the conditions on which they depend have been met.

All contributions are considered to be available for use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets are reclassified to contributions without donor restrictions and reported on the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions.

Leases - La Jolla Village Merchant Associates determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. Jolla Village Merchant Associates does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

La Jolla Village Merchants Association

Notes to Financial Statements For the Year Ended June 30, 2025

Note 3. Service Contracts – City of San Diego

LJVMA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for the disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, LJVMA has no provisions for the possible disallowance of program costs on its financial statements.

LJVMA received a Small Business Enhancement Program (SBEP) Management Grant from the City of San Diego. Total grant funds received were \$36,696. The grant was to be used for payroll, payroll taxes, fringe benefits, and office bookkeeping.

Note 4. Income Tax Status

LJVMA is a California nonprofit corporation exempt from federal income tax under Internal Revenue Code Section 501(c)(6). The exemption is effective as of December 29, 1989. LJVMA is also exempt from state income taxes under California State Tax Code 23701(e). LJVMA currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

LJVMA's federal and state Exempt Organization Tax Returns are subject to examination, generally for three years after they were filed.

Note 5. Lease Agreement

La Jolla Village Merchant Associates evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent La Jolla Village Merchant associate's right to use underlying assets for the lease term, and the lease liabilities represent La Jolla Village Merchant associates' obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. La Jolla Village Merchant Associates has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2024, was 2.88% for the La Jolla Village Merchant Associate's office lease.

As a lessee, La Jolla Village Merchant Associates leases office space for administrative needs. The lease is an operating lease expiring 11/30/2026.

Cash paid for operating leases for the year ended June 30, 2025, was \$17,120. There were no noncash investing and financing transactions related to leasing.

Future minimum lease payments under this operating lease as of June 30, 2025, are detailed below.

June 30,		
2026	\$	17,234
2027		5,914
Total	\$	<u>23,148</u>

La Jolla Village Merchants Association
Notes to Financial Statements
For the Year Ended June 30, 2025

Note 6. Concentration of Revenues

LJVMA received 61% of its revenue from the City of San Diego Contracts during the year ended June 30, 2025. Discontinuance of these grants could impact LJVMA negatively.

Note 7. Liquidity and Availability

The following reflects LJVMA's financial assets as of June 30, 2025, reduced by the amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year end:	
Cash and cash equivalents	\$ 163,556
Accounts Receivable	<u>20,330</u>
Financial assets available to meet general expenditures in one year	\$ <u>183,886</u>

As part of LJVMA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 8. Subsequent Events and Date of Management Review

LJVMA management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 12, 2025, which is the date the financial statements were available to be issued.

Management is not aware of any subsequent events or transactions that would have a material impact on, or require disclosure, in the current year financial statements.