



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

La Jolla Village Merchants Association

Audited Financial Statements

June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

La Jolla Village Merchants Association
Members of the Board of Directors:

We have audited the accompanying statement of financial position of the La Jolla Village Merchants Association (a nonprofit organization) as of June 30, 2012, and the related statements of activities and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of La Jolla Village Merchants Association's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the La Jolla Village Merchants Association as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Statements of Expenditures and Compliance on pages 10 and 11 are presented for purpose of additional analysis and is not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 30, 2012


Sonnenberg & Company, CPAs

La Jolla Village Merchants Association
STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS:

Cash and cash equivalent	\$ 44,770
Website	21,050
Furniture & Equipment	28,257
Less: (accumulated depreciation)	<u>(6,430)</u>
Subtotal Fixed Assets	42,877

TOTAL ASSETS	\$ <u>87,647</u>
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LIABILITIES:

Advance - Business Improvement District	\$ <u>24,211</u>
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TOTAL LIABILITIES	24,211
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NET ASSETS:

Temporarily Restricted	42,877
Unrestricted	<u>20,559</u>

TOTAL NET ASSETS	<u>63,436</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>87,647</u>
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The Accompanying Notes are an Integral Part of the Financial Statements

La Jolla Village Merchants Association
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Revenue and support:

City of San Diego - Business Improvement District	\$ 197,385
City of San Diego - Small Business Enhancement Program	23,468
Event Income	33,114
Donations	6,250
Rent Income	3,300
Other income	7,852
Total revenue and support	<u>271,369</u>

Expenses:

Program Services	148,333
Supporting Services	60,898
Total expenses	<u>209,231</u>

Change in net assets	\$ 62,138
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Net assets, beginning of year	<u>1,298</u>
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Net assets, end of year	<u><u>\$ 63,436</u></u>
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The Accompanying Notes are an Integral Part of the Financial Statements

La Jolla Village Merchants Association

Statement of Functional Expenses

For the Year Ended June 30, 2012

	Program Services	Support Services	Total
EXPENSES:			
Salaries and wages	\$ 45,029	\$ 15,010	\$ 60,039
Payroll taxes	4,138	1,379	5,517
Employee Benefits	675	225	900
Insurance - workers comp	368	123	490
Contract services	15,377	5,126	20,502
Insurance - general liability	2,993	998	3,991
Design/Beautification	23,913	7,971	31,884
Election Costs		7,728	7,728
Dues and Subscriptions		624	624
Office Expense		10,928	10,928
Outreach/Promotion	44,532		44,532
Office Equipment	1,142	381	1,523
Professional fees	2,494	831	3,325
Rent	8,100	2,700	10,800
Event expenses	34,907	11,636	46,542
Telephone/Internet	1,453	484	1,937
Computer	635	212	846
Subtotal	185,754	66,354	252,108
Depreciation	4,823	1,608	6,430
TOTAL FUNCTIONAL EXPENSES	190,576	67,962	258,538
Less capitalization of grant fixed assets	42,243	7,064	49,307
TOTAL EXPENSES	\$ 148,333	\$ 60,898	\$ 209,231

The Accompanying Notes are an Integral part of the Financial Statements

La Jolla Village Merchants Association

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

Cash flows from operating activities:

Change in net assets \$ 62,138

Adjustments to reconcile change in net assets to net cash
provided by operating activities:

Depreciation 6,430

Changes in operating assets and liabilities:

(Increase) in accounts receivable 11,072

Net cash provided (used) by operating activities 57,144

Cash flows from investing activities:

Purchase of fixed assets (49,307)

Net cash (used) by investing activities (49,307)

Net increase (decrease) in cash and cash equivalents 7,837

Cash and cash equivalents, beginning of year 36,933

Cash and cash equivalents, end of year \$ 44,770

The Accompanying Notes are an Integral Part of these Financial Statements.

LA JOLLA VILLAGE MERCHANTS ASSOCIATION

Notes to Financial Statements
For the Year Ended June 30, 2012

Note 1. Organization and Nature of Activities

The La Jolla Village Merchants Association (the "Association") 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 deterioration of the community.

Currently, the Association administers the La Jolla Business Improvement District, in partnership with the City of San Diego. This District includes businesses and property owners located within a 30-block area of the District. The Association's Board of Directors includes owners of businesses or property located within the Improvement District as well as Associate members.

The Association's activities include promotion, economic restructuring, organization via newsletter and directory, design, Small Business Enhancement Program Funds, and promotional materials.

The Association rents office space on a month-to-month basis for \$850.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The Association's financial statements have been prepared on the accrual basis of accounting.

Accounting for Net Assets

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Association are maintained in accordance with the principles of net asset accounting. That is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

LA JOLLA VILLAGE MERCHANTS ASSOCIATION

Notes to Financial Statements
For the Year Ended June 30, 2012

Note 2. Summary of Significant Accounting Policies, continued

Accounting, continued

Temporarily Restricted. The Association reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions. The Association had temporarily restricted net assets at June 30, 2012 in the amount of \$42,877 equal to the net fixed assets.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Association to expend all of the income (or other economic benefits) derived from the donated assets. The Association had no permanently restricted net assets at June 30, 2012.

Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code and section 23701(e) of the California Revenue and Taxation Code.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Certain expenses are based on payroll and other expenses are based on space allocations or other estimates.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the dates and for the periods presented.

Cash and cash equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

LA JOLLA VILLAGE MERCHANTS ASSOCIATION

Notes to Financial Statements
For the Year Ended June 30, 2012

Note 2. Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Concentration of Credit Risk

The primary receivable balance outstanding at June 30, 2012 consists of governmental contract receivables due from the City of San Diego. Concentration of credit risks with respect to trade receivables are limited, as the majority of the Association's receivables consist of earned fees from reimbursement-contracts granted by the City of San Diego. In the year ended June 30, 2012 the Association received funds from the City of San Diego in the amount of \$220,853. This revenue source comprises approximately 81% of total support for the year.

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, 2012, the Association purchased the following capital assets in accordance with the City Contract

Laptop computer	\$ 1,431
Website development	21,050
Decorative lighting	<u>26,826</u>
Total	\$ 49,307

However, 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. The Association's policy is to capitalize such assets in accordance with U.S. generally accepted accounting principles. Accordingly this equipment has been capitalized on the statement of financial position and is being depreciated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Capitalized equipment - property and equipment	3-5 years
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Depreciation expense for the year ended June 30, 2012 amounted to \$6,430.

LA JOLLA VILLAGE MERCHANTS ASSOCIATION

Notes to Financial Statements
For the Year Ended June 30, 2012

Note 2. Summary of Significant Accounting Policies, continued

Donated Goods and Services

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 the Association.

Note 3. Commitments and Contingencies

Contracts

The Association'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 disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Association has no provisions for the possible disallowance of program costs on its financial statements.

Note 4. Date of Management's Review

The Association's management has evaluated subsequent events through November 30, 2012, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.

La Jolla Village Merchants Association
STATEMENT OF EXPENDITURES
 Budget vs Actual
 City of San Diego Contracts - SBEP and BID
 July 2011 through June 2012

	SBEP			200 BID		
	Actual	Budget	Over (Under) Budget	Actual	Budget	Over (Under) Budget
BID Income	-		-	\$ 197,384.49		\$ (197,384.49)
SBEP	<u>\$ 23,468.00</u>		<u>\$ (23,468.00)</u>	<u>-</u>		<u>-</u>
	23,468.00		(23,468.00)	197,384.49		(197,384.49)
			-			-
Decorative (Roof Line) Lighting	-		-	26,825.57		(26,825.57)
Landscaping	<u>-</u>	<u></u>	<u>-</u>	<u>3,488.00</u>	<u></u>	<u>(3,488.00)</u>
	-		-	30,313.57		(30,313.57)
			-			-
Accounting/Bookkeeping	2,514.00		(2,514.00)	17,572.00		(17,572.00)
Admin Assistant	-		-	416.25		(416.25)
Bank Charges	-		-	29.00		(29.00)
Cell Phone	-		-	308.96		(308.96)
Dues/Subscriptions/Fees	-		-	623.85		(623.85)
Election Costs	-		-	7,728.10		(7,728.10)
Equipment	-		-	1,517.07		(1,517.07)
Insurance	-		-	3,991.00		(3,991.00)
Internet	-		-	234.42		(234.42)
IT Services	-		-	846.02		(846.02)
Office Furniture	-		-	147.84		(147.84)
Office Supplies	-		-	2,369.95		(2,369.95)
Parking	-		-	768.00		(768.00)
Postage & Delivery	-		-	1,421.19		(1,421.19)
Printing	-		-	4,679.59		(4,679.59)
Professional Fees	-		-	1,796.25		(1,796.25)
Rent	-		-	10,800.00		(10,800.00)
Telephone	<u>-</u>	<u></u>	<u>-</u>	<u>1,388.50</u>	<u></u>	<u>(1,388.50)</u>
	2,514.00		(2,514.00)	56,637.99		(56,637.99)
			-			-
Branding	-		-	12,185.87		(12,185.87)
Business Mixer	-		-	1,471.10		(1,471.10)
Newsletter	-		-	565.00		(565.00)
Website Design	-		-	23,200.00		(23,200.00)
Website Maintenance	<u>-</u>	<u></u>	<u>-</u>	<u>4,360.00</u>	<u></u>	<u>(4,360.00)</u>
	-		-	41,781.97		(41,781.97)
			-			-
ED Benefits	-		-	900.00		(900.00)
Employer Taxes - Federal	1,439.69		(1,439.69)	3,300.28		(3,300.28)
Employer Taxes - State	157.50		(157.50)	619.50		(619.50)
Payroll Fees	248.00		(248.00)	1,280.85		(1,280.85)
Salaries	19,108.81		(19,108.81)	40,930.08		(40,930.08)
Workers Compensation	<u>-</u>	<u></u>	<u>-</u>	<u>490.00</u>	<u></u>	<u>(490.00)</u>
	20,954.00		(20,954.00)	47,520.71		(47,520.71)
			-			-
2011 Gallery & Wine	-		-	14,801.98		(14,801.98)
Fourth of July Fireworks	-		-	1,000.00		(1,000.00)
Haute La Jolla Nights	-		-	3,993.27		(3,993.27)
Pillage The Village	<u>-</u>	<u></u>	<u>-</u>	<u>1,335.00</u>	<u></u>	<u>(1,335.00)</u>
	-		-	21,130.25		(21,130.25)
			-			-
	<u>23,468.00</u>		<u>(23,468.00)</u>	<u>197,384.49</u>		<u>(197,384.49)</u>
	<u>\$ -</u>	<u></u>	<u>-</u>	<u>\$ -</u>	<u></u>	<u>-</u>

See Independent Auditor's Report

La Jolla Village Merchants Association

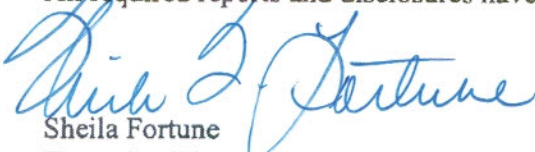
STATEMENT OF COMPLIANCE

November 30, 2012

To The City of San Diego:

The La Jolla Village Merchants Association is in compliance with all City of San Diego requirements, such as general requirements, compensation and reimbursement, record keeping and insurance as set forth in the agreements between the City of San Diego and the La Jolla Village Merchants Association.

All required reports and disclosures have been submitted.



Sheila Fortune
Executive Director

7734 Herschel Avenue, #G
La Jolla, CA 92037

See Independent Auditor's Report

LA JOLLA VILLAGE MERCHANTS ASSOCIATION

Management Representation Letter

November 30, 2012

Sonnenberg & Company CPAs
5190 Governor Drive, Suite 201
San Diego, CA 92122

To our Auditors:

We are providing this letter in connection with your audit of the statement of financial position of La Jolla Village Merchants Association as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of La Jolla Village Merchants Association in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, (as of November 30, 2012) the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Organization's control.
- 2) We have made available to you all—
 - a) Financial records and related data.
 - b) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 5) We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- 6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 7) We have no knowledge of any fraud or suspected fraud affecting the Organization involving—
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 8) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.
- 9) The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.

10) The following, if any, have been properly recorded or disclosed in the financial statements:

- a) Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
- b) Guarantees, whether written or oral, under which the Organization is contingently liable.
- c) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB Accounting Standards Codification 275, *Risks and Uncertainties*.

11) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

12) La Jolla Village Merchants Association is an exempt organization under Section 501c6 of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

13) There are no—

- a) Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
- b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *FASB Accounting Standards Codification 450, Contingencies* (formerly *Statement of Financial Accounting Standards No. 5, Accounting for Contingencies*).
- c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by *FASB Accounting Standards Codification 450, Contingencies* (formerly *Statement of Financial Accounting Standards No. 5*).
- d) Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.


14) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

15) We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

16) We acknowledge our responsibility for presenting the Statement of Financial Position and the Statement of Activities and Changes in Net Assets in accordance with U.S. generally accepted accounting principles, and we believe the Statement of Financial Position and the Statement of Activities and Changes in Net Assets, including its form and content, is fairly presented in accordance with U.S. generally accepted accounting principles. We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

No events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signed: 
Title: Executive Director _____

Signed: 
Title: Board of Directors _____