

**San Ysidro Improvement Corporation
Dba San Ysidro Business Association**

Financial Statements
For The Fiscal Year Ended June 30, 2016 and 2015
And
Accountants' Report

**San Ysidro Improvement Corporation
Dba San Ysidro Business Association**
June 30, 2016 and 2015

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Guerrero, Jimenez, Diaz
& Co. LLP
A Certified Public Accounting Firm

INDEPENDENT AUDITORS' REPORT

To Board of Directors
San Ysidro Improvement Corporation
San Diego, California

We have audited the accompanying financial statements of San Ysidro Improvement Corporation (a Non-Profit Organization), which comprise of the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for 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 statements.

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 San Ysidro Improvement Corporation as of June 30, 2016 and 2015, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 6, the Organization continued to have a deficiency in Net Assets at June 30, 2016. This factor raise substantial doubt about the organization's ability to continue as a going concern. Management has a plan of action that is described in Note 6. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited San Ysidro Improvement Corporation, Inc. 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Guerrero, Jimenez, Diaz & Co LLP

Guerrero, Jimenez, Diaz & Co., LLP
Certified Public Accountants

February 2, 2017

SAN YSIDRO IMPROVEMENT CORPORATION
dba SAN YSIDRO BUSINESS ASSOCIATION
 Statements of Financial Position
 June 30, 2016 & 2015

ASSETS

	2016	2015
Current Assets		
Cash in banks	\$ 6,460	\$ (381)
Accounts Receivable	5,311	2,066
Health Insurance receivable	599	
Total Current Assets	12,370	1,685
Fixed Assets - net	-	-
Deposits	1,000	1,000
Total Assets	\$ 13,370	\$ 2,685

LIABILITIES & NET ASSETS

Liabilities:		
Accounts payable	\$ -	\$ 3,049
BID Assessments Payable	9,595	-
Accrued Expenses	9,930	13,679
Payroll Tax Liability	-	1,600
Total Liabilities	19,525	18,328
Net Assets		
Temporarily Restricted Net Assets	-	-
Unrestricted Net Assets	(6,155)	(15,643)
Total Net Assets	(6,155)	(15,643)
Total Liabilities & Net Assets	\$ 13,370	\$ 2,685

The accompanying notes are an integral part of these financial statements.

SAN YSIDRO IMPROVEMENT CORPORATION
dba SAN YSIDRO BUSINESS ASSOCIATION

Statements of Activity

For the Year Ended June 30, 2016 & 2015

	<u>2016</u>	<u>2015</u>
Revenue:		
BID and bank assessments	144,995	148,500
SBEP	17,982	20,880
Other government sources	5,831	2,066
Maintenance Contract	44,237	49,000
Special events	-	1,160
Newsletter/Advertising	9,392	6,342
Donations	1,980	-
Total Revenues	<u>224,417</u>	<u>227,948</u>
Expenses:		
Salaries & payroll taxes	94,326	106,510
Bad debt expense	-	6,100
Design committee	1,550	3,023
Health Insurance	2,513	-
Rent & utilities	6,175	6,918
Professional fees	14,406	11,225
Legal Fees	370	-
Office supplies	1,756	1,773
Insurance	1,037	2,808
Special Events	4,691	3,500
Promotions	11,206	14,882
Software	840	-
Meetings	1,391	1,707
Dues & subscriptions	560	1,350
Contingencies	285	191
Maintenance	73,008	80,460
Bank charges	190	501
Worker's Compensation	1,574	-
Postage	651	506
Total Expenses	<u>216,529</u>	<u>241,454</u>
Increase/(Decrease) in Unrestricted Net Assets	7,888	(13,506)
Prior Period adjustment for Accrued Payroll Expense	1,600	-
Net Assets, Beginning of Year	<u>(15,643)</u>	<u>(2,137)</u>
Net Assets, End of Year	<u><u>(6,155)</u></u>	<u><u>(15,643)</u></u>

The accompanying notes are an integral part of these financial statements.

SAN YSIDRO IMPROVEMENT CORPORATION
dba SAN YSIDRO BUSINESS ASSOCIATION
 Statements of Cash Flows
 For the Year Ended June 30, 2016 & 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Increase/(Decrease) in Unrestricted Net Assets	\$ 7,888	\$ (13,506)
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease/(Increase) in Accounts Receivable	(3,245)	16,064
Decrease/(Increase) in Other Receivable	(599)	-
Decrease/(Increase) in Accrued Expenses	(3,749)	13,679
Increase/(Decrease) in Accounts Payable	(3,049)	(27,205)
Increase/(Decrease) in Payroll Liabilities	(1,600)	1,600
Increase/(Decrease) in BID Assessment Payable	9,595	-
Total Adjustments	<u>(2,647)</u>	<u>4,138</u>
Net Cash Generated/(Used) for Operating Activities	<u>5,241</u>	<u>(9,368)</u>
Cash Flows from Investing Activities	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities		
Prior Period Adjustment for Accrued Payroll Expense	<u>1,600</u>	<u>-</u>
Net Increase/(Decrease) in Cash	6,841	(9,368)
Cash at Beginning of Period	<u>(381)</u>	<u>8,987</u>
Cash at End of Period	<u>\$ 6,460</u>	<u>\$ (381)</u>

The accompanying notes are an integral part of these financial statements.

SAN YSIDRO IMPROVEMENT CORPORATION
Dbas SAN YSIDRO BUSINESS ASSOCIATION

Notes to Financial Statements
June 30, 2016

NOTE 1- Summary of Significant Accounting Policies

Nature of Business

The Organization is a California non-profit benefit corporation which started operations in February 1999. The purpose of the corporation is to revitalize and promote business improvement within the San Ysidro community through activities which contribute to the economic and promotional well-being of the San Ysidro area of the City of San Diego.

Depreciation

The Organization's equipment and furniture are depreciated using the straight-line method over estimated useful lives of five to seven years.

Income tax status

The Organization has been granted exemption from federal income tax under Section 501(c) 6 of the Internal Revenue Code and similar California law under Sections 9910-9927 of the Corporation codes and is not subject to income taxes on related business income. Management of the Organization has evaluated its tax position and related income tax contingencies. Management does not believe that any material uncertain tax position exists. The Organization generally is no longer subject to income tax examinations by federal authorities for the years ending June 30, 2011 and before and by state authorities for years ending June 30, 2010 and before.

Basis of Accounting

The financial statements of the organization are prepared on the accrual basis of accounting.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements, therefore, actual results could differ from these estimates.

Financial Statement Presentation

Financial statement presentation follows the FASB Accounting Standards Codification No. 958 (ASC 958), "Not-For-Profit Entities" (Formerly Statement of Financial Accounting Standards No. 116 and No. 117). Under ASC 958, the Organization is required to record and report information regarding its financial position and activities according to three classes of net assets:

- * Unrestricted Net Assets represents the portion of expendable funds that are available for support of the operations of the Organization
- * Temporarily Restricted Net Assets consists of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

- * Permanently Restricted Net Assets consists of contributions subject to donor-imposed stipulations that they be maintained permanently by the organization.

Support and Revenue

Under the San Diego Ordinance that created the Business Improvement District (BID) the City collects a special assessment on behalf of the BID, which is the major source of funding for the corporation. Such amounts are held by the City on behalf of the corporation and disbursed monthly in the form of reimbursements for programs and services performed by the corporation.

Other sources of funds are received in the form of grants from the San Diego Small Business Enhancement Fund Program (SBEP). Direct membership assessments made to banks that operate within the business improvement district, special activities and events organized by the corporation to promote the business community.

NOTE 2 – Accounts Receivable

Accounts Receivable consisted of the following at June 30, 2016:

	<u>2016</u>	<u>2015</u>
City of San Diego	\$4,111	\$2,066
Other Receivables	<u>1,200</u>	<u>-</u>
	<u>5,311</u>	<u>2,066</u>

NOTE 3 – Fixed Assets

Fixed assets consisted of the following at June 30, 2016:

	<u>2016</u>	<u>2015</u>
Signage	\$9,980	\$9,980
Maintenance Equipment	4,003	4,003
Office Equipment	<u>11,579</u>	<u>11,579</u>
	25,562	25,562
Less accumulated depreciation	<u>(25,562)</u>	<u>(25,562)</u>
Net Fixed Assets	-	-

NOTE 4 – Subsequent Events

Subsequent events have been evaluated through February 2, 2017, which is the date the financial statements were available to be issued.

NOTE 5 – Pending Lawsuit

San Ysidro Improvement Corporation is one of the nonprofit organization named as defendants in a lawsuit filed by San Diegans for Open Government (Plaintiff/Petitioner) on June 15, 2016. This lawsuit challenges Municipal Defendants' authorization of a variety of tax levies and collections labeled as "assessments" by Municipal Defendants in order to avoid public scrutiny without first obtaining the requisite approval of the voters of the City of San Diego, and the approval of the illegal tax and related contracts in violation of conflict-of-interest laws. The Association is currently working with its lawyer to resolve this issue.

NOTE 6 – Going Concern

The Organization has a negative Net Asset balance of \$6,155 as of June 30, 2016. The Organization has had decreases in Unrestricted Net Assets since 2011 except for the year ended June 30, 2016 which resulted in an increase in Unrestricted Net Assets of \$7,888. The Executive Director explained that the Organization had initiated changes and procedures to address such losses going forward such as getting new sources of funding and reducing expenses. The organization presented a plan to the City of San Diego on June 22, 2016 which includes various new sources of funding such as the New Premier Memberships program, Gala Event, Golf Tournament, Independence Day Festival. In addition, it will sublease its office space. This would add roughly \$120,000 to its budgeted net income. This plan is to be implemented January 1, 2017.