

**San Ysidro Improvement Corporation
Dba San Ysidro Chamber of Commerce**

Financial Statements
For The Fiscal Year Ended June 30, 2017 and 2016
And
Independent Auditors' Report

San Ysidro Improvement Corporation
Dbá San Ysidro Chamber of Commerce
June 30, 2017 and 2016

Table of Contents

<u>Page</u>	<u>Description</u>
1-2	Accountants' Report
3	Statement of Financial Position
4	Statement of Activities
5	Statement of Cash Flows
6-9	Notes to Financial Statements



**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 Corporation), which comprise of the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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 Corporation will continue as a going concern. As discussed in Note 6, the Corporation continued to have low cash levels at June 30, 2017. This factor raise substantial doubt about the corporation'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. 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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

May 23, 2018

SAN YSIDRO IMPROVEMENT CORPORATION
dba SAN YSIDRO CHAMBER OF COMMERCE

Statements of Financial Position
June 30, 2017 & 2016

ASSETS

	2017	2016
Current Assets		
Cash in banks	\$ 9,969	\$ 6,460
Accounts Receivable	5,000	5,311
Health Insurance receivable	-	599
Total Current Assets	14,969	12,370
 Fixed Assets - net	 -	 -
 Deposits	 1,000	 1,000
Prepaid Expense	120	-
Total Assets	\$ 16,089	\$ 13,370

LIABILITIES & NET ASSETS

Liabilities:		
Accounts payable	\$ 2,163	\$ -
BID Assessments Payable	-	9,595
Deferred Income	6,742	-
Accrued Expenses	2,900	9,930
Total Liabilities	11,805	19,525
 Net Assets		
Temporarily Restricted Net Assets	-	-
Unrestricted Net Assets	4,284	(6,155)
Total Net Assets	4,284	(6,155)
 Total Liabilities & Net Assets	\$ 16,089	\$ 13,370

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

SAN YSIDRO IMPROVEMENT CORPORATION
dba SAN YSIDRO CHAMBER OF COMMERCE

Statements of Activity
For the Year Ended June 30, 2017 & 2016

	2017	2016
Revenue:		
BID and bank assessments	148,601	144,995
SBEP	17,958	17,982
Other government sources	5,000	5,831
Maintenance Contract	-	44,237
Memberships	66,690	-
Rental Income	7,045	-
Special events	37,774	-
Newsletter/Advertising	1,000	9,392
Donations	1,250	1,980
Total Revenues	285,318	224,417
 Expenses:		
Salaries & payroll taxes	120,876	94,326
Design committee	18,843	1,550
Health Insurance	8,996	2,513
Rent & utilities	6,692	6,175
Commissions	6,888	-
Professional fees	12,838	14,406
Legal Fees	320	370
Office supplies	4,709	1,756
Insurance	1,014	1,037
Special Events	35,680	4,691
Promotions	15,195	11,206
Software	2,550	840
Meetings	4,725	1,391
Dues & subscriptions	935	560
Contingencies	3,550	285
Maintenance	29,553	73,008
Bank charges	96	190
Telephone	276	-
Worker's Compensation	1,143	1,574
Postage	-	651
Total Expenses	274,879	216,529
Increase/(Decrease) in Unrestricted Net Assets	10,439	7,888
Prior Period adjustment for Accrued Payroll Expense	-	1,600
Net Assets, Beginning of Year	(6,155)	(15,643)
Net Assets, End of Year	4,284	(6,155)

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

SAN YSIDRO IMPROVEMENT CORPORATION
dba SAN YSIDRO CHAMBER OF COMMERCE
 Statements of Cash Flows
 For the Year Ended June 30, 2017 & 2016

	2017	2016
Cash Flows from Operating Activities:		
Increase/(Decrease) in Unrestricted Net Assets	\$ 10,439	\$ 7,888
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease/(Increase) in Accounts Receivable	311	(3,245)
Decrease/(Increase) in Other Receivable	599	(599)
Decrease/(Increase) in Prepaid Expenses	(120)	-
Increase/(Decrease) in Accrued Expenses	(7,030)	(3,749)
Increase/(Decrease) in Accounts Payable	2,163	(3,049)
Increase/(Decrease) in Deferred Income	6,742	-
Increase/(Decrease) in Payroll Liabilities	-	(1,600)
Increase/(Decrease) in BID Assessment Payable	(9,595)	9,595
Total Adjustments	(6,930)	(2,647)
Net Cash Generated/(Used) for Operating Activities	3,509	5,241
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities		
Prior Period Adjustment for Accrued Payroll Expense	-	1,600
Net Increase/(Decrease) in Cash	3,509	6,841
Cash at Beginning of Period	6,460	(381)
Cash at End of Period	\$ 9,969	\$ 6,460

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

SAN YSIDRO IMPROVEMENT CORPORATION
Db a San Ysidro Chamber of Commerce

Notes to Financial Statements
June 30, 2017

NOTE 1- Summary of Significant Accounting Policies

Nature of Business

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

Income tax status

The Corporation 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 Corporation has evaluated its tax position and related income tax contingencies. Management does not believe that any material uncertain tax position exists. The Corporation 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 corporation 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 Corporation 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 Corporation
- * Temporarily Restricted Net Assets consists of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Corporation 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 corporation.

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, 2017:

	<u>2017</u>	<u>2016</u>
City of San Diego	\$ -	\$4,111
Other Receivables	<u>5,000</u>	<u>1,200</u>
	<u>5,000</u>	<u>5,311</u>

NOTE 3 – Fixed Assets

Fixed assets consisted of the following at June 30, 2017:

	<u>2017</u>	<u>2016</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 May 23, 2018, 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 corporations named as defendants in three lawsuits filed by San Diegans for Open Government (Plaintiff/Petitioner):

The first one was filed in 2014, an additional lawsuit was filed in 2015 which has been consolidated with the original 2014 lawsuit and is considered one lawsuit.

On June 6, 2017, a second lawsuit was filed to challenge the most recent fiscal year which is nearly exactly the same as the 2014 case. The Municipal Defendants have filed a motion with the court to narrow this case down to a single lawsuit (similar to the first case). The Municipal Defendants also filed a motion to consolidate this lawsuit with the 2014 case as it involves exactly the same issues. Trial has not been currently set for this most current lawsuit.

The above lawsuits challenge 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. Municipal Defendants deny that the challenged assessments are taxes within the relevant definition and that public approval of them is required. An appeal by the losing party will likely follow the outcome of that motion.

On February 2017, San Diegans for Open Government filed a third lawsuit, petition for Writ of Mandate under the California Public Records Act and Other Laws.

NOTE 6 – Going Concern

Uncertainty about an Organization's ability to continue as a going concern relates to its ability to continue to meet its obligations as they become due within one year after the date of the financial statements are issued. The Organization has a \$9,969 in cash (of which, \$6,742 is Deferred Income for the festival event in FY '18), and \$2,163 in Accounts Payable and \$2,900 in Accrued Expenses as of June 30, 2017. Therefore, the Organization is considered at risk of not meeting its obligations within the foreseeable future. The Organization's Executive Director explained that the Organization had initiated changes and procedures to increase Net Assets going forward such as getting new sources of funding and reducing expenses. The Organization has introduced various new sources of funding such as the New Premier Memberships Program, Gala Event, Golf Tournament, and Independence Day Festival. In addition, it will sublease its office space. The Annual Business Awards Gala is expected to net over \$25,000 by itself. In addition, the Organization is planning to have in 2018 a Business Directory that is expected to net at least \$10,000. The Organization is also taking on new activities previously performed by the San Ysidro Chamber of Commerce (see Note 7 below).

NOTE 7 – Chamber Activities

During the fiscal year ended on June 30, 2017, the Organization, with its Board's approval, took on events previously ran by the San Ysidro Chamber of Commerce (a separate and non-related entity). The Organization's bylaws were amended to reflect the addition of the San Ysidro Chamber of Commerce related activities as part of the Organization's functions.

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