



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

City Heights Business Association

Audited Financial Statements

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

City Heights Business Association
Members of the Board of Directors:

We have audited the accompanying statement of financial position of the City Heights Business Association (a nonprofit organization) as of June 30, 2007, 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 the City Heights Business Association's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's June 30, 2006 financial statements and, in our report dated September 6, 2006, we expressed an unqualified opinion on those financial statements

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 of material misstatement. An audit 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City Heights Business Association as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our opinion was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The accompanying supplementary information on pages 8 and 9 is presented for purpose of additional analysis and is not a required part of the above financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

September 11, 2007


Sonnenberg & Company, CPAs

CITY HEIGHTS BUSINESS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
June 30, 2007
(With comparative totals at June 30, 2006)

	2007	2006
Assets		
Cash and cash equivalents	\$ (10,937)	\$ 838
Accounts receivable - Maintenance Assessment District	118,768	51,462
Accounts receivable - Community Development Block Grant	21,125	-
Accounts receivable - Redevelopment	-	11,788
Accounts receivable - Business Improvement District	15,671	9,413
Capitalized equipment leases	11,520	-
Less: accumulated depreciation	(1,920)	-
	154,227	73,501
Total assets	\$ 154,227	\$ 73,501
 Liabilities and net assets		
Liabilities		
Accounts payable	\$ 50,495	\$ -
Accrued vacation	3,426	2,455
Deferred revenue - Business Improvement District	16,000	16,000
Deferred revenue - Small Business Enhancement Program	6,568	4,796
Deferred revenue - Maintenance Assessment District	56,812	47,656
Capital lease payable	9,920	-
	143,221	70,907
Total liabilities	143,221	70,907
 Net assets		
Unrestricted	11,006	2,594
Total net assets	11,006	2,594
Total liabilities and net assets	\$ 154,227	\$ 73,501

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

CITY HEIGHTS BUSINESS ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2007
(With comparative totals for the year ended June 30, 2006)

	<u>2007</u>	<u>2006</u>
Revenue and support		
City of San Diego - Maintenance Assessment District	\$ 312,128	\$ 286,344
City of San Diego - Business Improvement District	64,202	36,725
City of San Diego - Community Development Block Grant	21,125	-
City of San Diego - Small Business Enhancement Program	16,083	13,415
City of San Diego - Adopt-A-Block	-	40,000
Special Events	9,422	6,244
Advertising	5,000	-
Other income	1,883	1,148
	<u>429,843</u>	<u>383,876</u>
Expenses		
Urban Corps - Maintenance contract	164,888	157,500
Salaries and wages	89,953	81,668
Off-duty officers	54,180	47,903
Projects	21,125	-
Professional fees	15,572	11,000
Rent and utilities	13,639	12,363
Board retreat and annual banquet	13,362	3,852
Marketing and promotion	13,349	13,566
Payroll taxes	7,535	7,184
Newsletter and printing	6,348	4,209
Health insurance	4,774	3,308
Office supplies and equipment	4,497	3,946
Dues and subscriptions	2,589	3,684
Telephone	2,423	1,515
Liability insurance	2,338	2,339
Worker's compensation insurance	1,400	1,395
Postage and delivery	1,257	635
Depreciation	1,920	-
Miscellaneous	124	10,412
Security	118	15,226
Travel and entertainment	40	98
	<u>421,431</u>	<u>381,803</u>
Change in net assets	8,412	2,073
Net assets, beginning of year	<u>2,594</u>	<u>521</u>
Net assets, end of year	<u>\$ 11,006</u>	<u>\$ 2,594</u>

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

CITY HEIGHTS BUSINESS ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007
(With comparative totals for the year ended June 30, 2006)

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ 8,412	\$ 2,073
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,920	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(82,901)	38,065
Increase (decrease) in accounts payable	50,495	(48,490)
Increase in accrued vacation	971	371
Increase in deferred revenue	10,928	3,715
Net cash (used) by operating activities	(10,175)	(4,266)
Cash flows from investing activities:		
Investment in capital lease equipment	(11,520)	-
Net cash (used) by investing activities	(11,520)	-
Cash flows from financing activities:		
Proceeds from capital lease	11,520	-
Payments on capital lease obligation	(1,600)	-
Net cash provided by financing activities	9,920	-
Net (decrease) in cash and cash equivalents	(11,775)	(4,266)
Cash and cash equivalents, beginning of year	838	5,104
Cash and cash equivalents, end of year	\$ (10,937)	\$ 838

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

City Heights Business Association
Notes to Financial Statements
June 30, 2007

Note 1 Organization and Nature of Activities

The City Heights Business Association (the "Association") was formed in June 2003 as a non-profit mutual benefit corporation. Its purpose is to enhance the growth and improvement of the City Heights area, located in the City of San Diego, 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 City Heights Business Improvement District and the City Heights Maintenance Assessment District funds, in partnership with the City of San Diego. These Districts include over 700 businesses and property owners and serve the most ethnically diverse population in San Diego. The Association's Board of Directors includes owners of businesses or property located within the Improvement or Maintenance Assessment Districts 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. In addition, the Association is responsible for ensuring maintenance including litter control, illegal dump removal, graffiti control, sidewalk safety hazard monitoring, lighting service, tree maintenance, and security. Many of these services are provided under contract with Urban Corps of San Diego.

Note 2 Income Tax Status

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. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Note 3 Significant Accounting Policies

Method of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement of Presentation

The Association accounts for contributions in accordance with Statement of Financial Accounting Standard No. 116, Accounting for Contributions Received and Contributions Made. Accordingly, any contributions received would be recorded as unrestricted, temporarily restricted, and permanently restricted support, depending on the existence and /or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

City Heights Business Association
Notes to Financial Statements
June 30, 2007

Note 3 Significant Accounting Policies, continued

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations, which requires the Association to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents

For purposes of the statement 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.

Concentration of Credit Risk

The Association maintained its cash in bank deposit accounts. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents.

Estimates

The preparation of financial statements on the accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$500 and the useful life is greater than one year.

Note 4 Cash and Cash Equivalents

The Association has cash deposited in Washington Mutual Bank. Cash and cash equivalents consists of the following at June 30, 2007;

Cash balance, per bank statements	\$ 7,496
Un-mailed checks	<u>50,495</u>
Total cash available	57,991
Less: net outstanding checks and deposits	<u>(68,928)</u>
Cash and cash equivalents	<u>\$ (10,937)</u>

City Heights Business Association
Notes to Financial Statements
June 30, 2007

Note 5 Capital Lease Obligation

The Association leases a copier under a capital lease. Future minimum payments by year, and in the aggregate, under this lease consist of the following:

<u>Year ended June 30,</u>	
2008	\$ 3,840
2009	3,840
2010	<u>2,240</u>
	<u>\$ 9,920</u>

The cost of equipment under capital lease at June 30, 2007 consists of the following:

Copier	\$ 11,520
Less: accumulated depreciation	<u>(1,920)</u>
	<u>\$ 9,600</u>

SUPPLEMENTARY INFORMATION



STATEMENT OF COMPLIANCE

September 11, 2007

To Whom It May Concern:

The City Heights Business 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 City Heights Business Association.

All required reports and disclosures have been submitted.

Enrique Gandarilla
Executive Director

3910 University Avenue
San Diego, CA 92105

CITY HEIGHTS BUSINESS ASSOCIATION
STATEMENT OF EXPENDITURES
 Budget vs Actual
 City of San Diego Contracts - CDBG, BID & MAD
 July 2006 through June 2007

	150 CDBG			200 BID Assessment			400 MAD		
	Actual	Budget	Over Budget	Actual	Budget	Over Budget	Actual	Budget	Over Budget
Income									
40020 · BID Reimbursement				64,202	76,043	(11,841)	-	-	-
40030 · CDBG	21,125	58,420	(37,295)	-	-	-	-	-	-
42000 · Maintenance Assessment (MAD)	-	-	-	-	-	-	312,128	355,730	(43,602)
Total Income	<u>21,125</u>	<u>58,420</u>	<u>(37,295)</u>	<u>64,202</u>	<u>76,043</u>	<u>(11,841)</u>	<u>312,128</u>	<u>355,730</u>	<u>(43,602)</u>
Expense									
50020 · Personnel									
50027 · Executive Director	-	-	-	29,003	29,356	(353)	32,008	31,000	1,008
50029 · Administrative Assistant	-	-	-	3,479	3,311	168	9,923	9,500	423
50031 · Fica/R Expense	-	-	-	2,485	2,481	4	3,208	3,080	128
50032 · Sui Expense	-	-	-	83	1,421	(1,338)	289	1,762	(1,473)
50033 · Futa Tax Expense	-	-	-	15	18	(3)	53	18	35
50035 · Health Insurance	-	-	-	4,662	4,800	(138)	-	-	-
50036 · Vacation Expense	-	-	-	-	-	-	-	-	-
Total 50020 · Personnel	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,728</u>	<u>41,387</u>	<u>(1,659)</u>	<u>45,480</u>	<u>45,360</u>	<u>120</u>
50040 · Operating									
50045 · Rent - Office	-	-	-	3,221	4,060	(839)	6,929	8,120	(1,191)
50050 · Telephone/Fax/Call/Internet	-	-	-	677	500	177	1,745	1,000	745
50060 · Mtngs/Conf/Dues/Subscriptions	-	-	-	2,476	2,000	476	-	-	-
50065 · Printing	-	-	-	685	1,000	(315)	685	2,000	(1,315)
50070 · Insurance									
50071 · Insurance-Workers Comp	-	-	-	445	667	(222)	955	1,333	(378)
50072 · Insurance - General Liability	-	-	-	255	250	5	495	500	(5)
50073 · Insurance -Directors & Officers	-	-	-	530	530	-	1,058	1,059	(1)
Total 50070 · Insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,230</u>	<u>1,447</u>	<u>(217)</u>	<u>2,508</u>	<u>2,892</u>	<u>(384)</u>
50075 · Postage	-	-	-	365	500	(135)	893	1,000	(107)
50080 · Legal Counsel	-	-	-	-	1,500	(1,500)	-	-	-
50081 · Audit	-	-	-	1,360	1,333	17	2,650	2,667	(17)
50082 · Accounting Services	-	-	-	2,218	2,400	(182)	4,752	4,800	(48)
50083 · Strategic Plan	-	-	-	2,600	3,000	(400)	-	-	-
50090 · Board & Staff Training/Retreat	-	-	-	3,440	3,000	440	-	-	-
50095 · Travel/Mileage/Auto Expense	-	-	-	17	250	(233)	23	250	(227)
50099 · Sales tax	-	-	-	-	-	-	-	-	-
50150 · Office Supplies/Equipment	-	-	-	1,117	1,000	117	2,671	2,000	671
50160 · Utilities(Irrigation, Elect.)	-	-	-	-	-	-	3,488	3,000	488
Total 50040 · Operating	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,395</u>	<u>21,990</u>	<u>(2,595)</u>	<u>26,345</u>	<u>27,729</u>	<u>(1,384)</u>
50170 · Depreciation	-	-	-	369	-	369	1,365	-	1,365
51510 · Outreach/Promotion									
51520 · Newsletter	-	-	-	968	1,166	(198)	4,011	2,334	1,677
51525 · Marketing (Web Site, Brochure)	-	-	-	1,213	2,000	(787)	8,784	5,000	3,784
51530 · Business Mixers	-	-	-	-	3,500	(3,500)	-	-	-
51555 · Meeting Outreach - Workshops	-	-	-	42	-	42	-	-	-
52015 · Street Banners	-	-	-	-	-	-	4,638	10,000	(5,362)
52030 · Holiday Bridge Lightling	-	-	-	-	-	-	750	750	-
51510 · Outreach/Promotion - Other	-	-	-	-	-	-	-	-	-
Total 51510 · Outreach/Promotion	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,224</u>	<u>6,666</u>	<u>(4,442)</u>	<u>18,183</u>	<u>18,084</u>	<u>99</u>
52100 · Contracts									
52110 · Urban Corps	-	-	-	-	-	-	164,888	157,500	7,388
52120 · ODO	-	-	-	-	-	-	54,180	55,000	(820)
52130 · Professional Services	-	-	-	434	3,000	(2,567)	1,569	7,000	(5,431)
Total 52100 · Contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>434</u>	<u>3,000</u>	<u>(2,567)</u>	<u>220,637</u>	<u>219,500</u>	<u>1,137</u>
53100 · Special Projects & Events									
53110 · Annual Meeting/Banquet	-	-	-	2,063	3,000	(937)	-	-	-
53120 · Maintenance & Security	-	-	-	-	-	-	118	45,057	(44,939)
53130 · Bus Shelters	18,425	31,740	(13,315)	-	-	-	-	-	-
53140 · City Heights Sign	-	23,000	(23,000)	-	-	-	-	-	-
53150 · Utility Box Program	2,700	3,680	(980)	-	-	-	-	-	-
Total 53100 · Special Projects & Events	<u>21,125</u>	<u>58,420</u>	<u>(37,295)</u>	<u>2,063</u>	<u>3,000</u>	<u>(937)</u>	<u>118</u>	<u>45,057</u>	<u>(44,939)</u>
Total Expense	<u>21,125</u>	<u>58,420</u>	<u>(37,295)</u>	<u>64,202</u>	<u>76,043</u>	<u>(11,841)</u>	<u>312,128</u>	<u>355,730</u>	<u>(43,602)</u>
Net Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See Independent Auditor's Report