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PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION

dba DISCOVER PACIFIC BEACH

AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

Pacific Beach Community Development Corporation dba Discover Pacific Beach

I have audited the accompanying financial statements of Pacific Beach Community Development Corporation dba Discover Pacific Beach (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Beach Community Development Corporation dba Discover Pacific Beach as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Andres D. Garcia, CPA

October 26, 2020

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and Cash Equivalents	\$ 241,628	\$ 188,897
Accounts Receivable	29,216	78,500
Total Current Assets	<u>270,844</u>	<u>267,397</u>
Leasehold Improvements	49,388	49,388
Office Equipment	13,012	13,012
Less: (Accumulated Depreciation & Amortization)	<u>(62,400)</u>	<u>(62,400)</u>
Total Property & Equipment	<u>-</u>	<u>-</u>
Rent Deposit	1,450	1,450
Prepaid Expenses	2,297	-
Total Other Assets	<u>3,747</u>	<u>1,450</u>
Total Assets	<u><u>\$ 274,591</u></u>	<u><u>\$ 268,847</u></u>
LIABILITIES:		
Accounts Payable	\$ 23,639	\$ 11,939
Total Current Liabilities	<u>23,639</u>	<u>11,939</u>
SBA PPP Loan Payable	<u>28,696</u>	<u>-</u>
Total Liabilities	<u><u>\$ 52,335</u></u>	<u><u>\$ 11,939</u></u>
NET ASSETS:		
Without Donor Restrictions	\$ 222,256	\$ 256,908
Total Net Assets	<u>222,256</u>	<u>256,908</u>
Total Liabilities & Net Assets	<u><u>\$ 274,591</u></u>	<u><u>\$ 268,847</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
SUPPORT & REVENUE:		
BID Reimbursement	\$ 149,432	\$ 173,096
SBEP	27,963	27,869
City & County Grants - BeachFest	22,991	33,765
Other Grants	6,000	-
Community Court	27,140	20,235
BeachFest	102,316	93,280
Farmers Market	95,292	125,021
Other Special Events	55,820	95,672
Other Programs	21,669	83,521
Commissions	1,725	2,340
Sublease	6,600	5,500
Miscellaneous	1,205	1,390
	<u>518,153</u>	<u>661,689</u>
EXPENSES:		
Program Services	473,881	550,987
Management & General	78,924	86,823
	<u>552,805</u>	<u>637,810</u>
Change in Net Assets	(34,652)	23,879
Net Assets, Beginning of Year	<u>256,908</u>	<u>233,029</u>
Net Assets, End of Year	<u><u>\$ 222,256</u></u>	<u><u>\$ 256,908</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Auto Expense	\$ 3,200	\$ 800	\$ 4,000
Bad Debt	5,312	1,328	6,640
Bank Fees	1,032	258	1,290
BeachFest	79,590	19,897	99,487
Building Repairs & Maintenance	2,293	573	2,866
Business Development	1,556	-	1,556
Cleaning & Beautification	82,970	-	82,970
Dues and Subscriptions	674	169	843
Farmers Market	50,454	-	50,454
Health Insurance	7,932	1,983	9,915
Insurance	13,484	3,371	16,855
Hospitality Task Force	4	1	5
Meals & Entertainment	378	94	472
Miscellaneous	-	46	46
Newsletter	3,218	804	4,022
Office Cleaning	1,260	315	1,575
Other Special Events	27,342	6,836	34,178
Outreach	8,330	2,083	10,413
Payroll Service	431	108	539
Payroll Taxes	9,348	1,915	11,263
Professional Services	14,703	3,676	18,379
Rent	26,400	6,600	33,000
Salaries & Wages	115,878	23,544	139,422
Supplies	3,141	785	3,926
Taxes	72	18	90
Telephone	3,607	902	4,509
Training & Conferences	3,459	865	4,324
Utilities	7,813	1,953	9,766
	<u>7,813</u>	<u>1,953</u>	<u>9,766</u>
Total Expenses	\$ <u>473,881</u>	\$ <u>78,924</u>	\$ <u>552,805</u>

The Accompanying Notes are an Integral Part of the Financial Statements

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Auto Expense	\$ 3,434	\$ 858	\$ 4,292
Bad Debt	2,191	548	2,739
Bank Fees	1,599	400	1,999
BeachFest	73,754	18,439	92,193
Building Repairs & Maintenance	3,674	919	4,593
Business Development	640	-	640
Cleaning & Beautification	121,680	-	121,680
Dues and Subscriptions	498	124	622
Farmers Market	81,368	-	81,368
Health Insurance	7,095	1,774	8,869
Insurance	18,680	4,670	23,350
Hospitality Task Force	3,720	930	4,650
Meals & Entertainment	266	66	332
Newsletter	2,570	643	3,213
Office Cleaning	1,500	375	1,875
Other Special Events	50,946	12,736	63,682
Outreach	14,166	3,541	17,707
Payroll Service	254	63	317
Payroll Taxes	7,686	1,921	9,607
Professional Services	15,466	3,867	19,333
Rent	26,400	6,600	33,000
Salaries & Wages	97,292	24,323	121,615
Supplies	4,398	1,100	5,498
Taxes	88	22	110
Telephone	2,826	706	3,532
Training & Conferences	2,774	693	3,467
Utilities	6,022	1,505	7,527
	<u>550,987</u>	<u>86,823</u>	<u>637,810</u>
Total Expenses	\$ <u>550,987</u>	\$ <u>86,823</u>	\$ <u>637,810</u>

The Accompanying Notes are an Integral Part of the Financial Statements

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (34,652)	\$ 23,879
(Increase) / Decrease in:		
Accounts Receivable	49,284	(57,924)
Prepaid Expenses	(2,297)	602
Increase / (Decrease) in:		
Accounts Payable	11,700	(3,500)
Net Cash Provided (Used) by Operating Activities	<u>24,035</u>	<u>(36,943)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from SBA PPP Loan Payable	28,696	-
Net Cash Provided by Financing Activities	<u>28,696</u>	<u>-</u>
Net Increase (Decrease) in Cash & Cash Equivalents	52,731	(36,943)
Cash & Cash Equivalents, Beginning of Year	<u>188,897</u>	<u>225,840</u>
Cash & Cash Equivalents, End of Year	<u><u>\$ 241,628</u></u>	<u><u>\$ 188,897</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

Note 1. Nature of Organization

The Pacific Beach Community Development Corporation (the Organization) is a non-profit consortium of local businesses organized for the purpose of promoting, improving, and fostering business conditions in the City of San Diego in the area commonly known as Pacific Beach pursuant to a City Ordinance, which established and defined a parking and business improvement area as the Pacific Beach District under the provisions of the Parking and Business Improvement Area Law of 1979 of the State of California and enabling ordinances of the City of San Diego.

The Organization is a business improvement district (BID) which formed in 1997. It is the second largest BID in San Diego with 1,300 member businesses. Its area of focus is in San Diego's beach communities including Pacific Beach and Mission Beach.

The Organization has a variety of project committees populated by business owners and volunteers, including, Promotions, Pacific Beach Community Advisory, Design and Improvement and Hospitality Task Force.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The accompanying financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Fund Accounting: To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

The Organization also prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections, as amended by ASU 2016-14. The Organization uses the terms *Net Assets Without Donor Restrictions* and *Net Assets With Donor Restrictions* to describe the two required net asset classes.

Net Assets Without Donor Restrictions: net assets not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions: net assets subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents: The Organization has defined cash and cash equivalents as cash in banks and certificates of deposits with an initial maturity of three months or less.

Accounts Receivable: Accounts receivables are receivables from a cost-reimbursement contract with the City of San Diego and services invoiced to businesses in the district. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of June 30, 2020 and 2019.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. 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 \$1,000 and the useful life is greater than one year. Depreciation and amortization is computed using the straight-line method over the useful lives of the assets, which are generally five years for equipment.

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 amounted to \$0 and \$0, respectively.

Donated Materials and Services: Donated materials and services are recognized as contributions if the materials 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 Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Use of Estimates: The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing these services.

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

Note 3. Income Tax Status

The Organization is a California Not-For-Profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California State Tax Code 23701(d), respectively, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

U.S. generally accepted accounting principles require Organization management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken uncertain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. Management has analyzed tax positions taken by the Organization and has concluded that, as of June 30, 2020 and 2019, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or that would require disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions. However, currently no audits for any tax periods are in progress.

Note 4. Commitments and Contingencies

Contracts: The Organization's 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 Organization has no provisions for the possible disallowance of program costs on its financial statements.

Obligations Under Operating Leases: On August 22, 2017, an extension to the office lease was agreed to, which extended the term of the lease from October 1, 2017 through September 30, 2020 with a monthly rent of \$2,750. On September 1, 2020, an extension to this lease was agreed to, which extended the term of the lease from October 1, 2020 through September 30, 2023 with a monthly rent of \$2,750, and annual increases of 10% on September 1, 2021 and September 1, 2022. Total lease payments under this lease amounted to \$33,000 and \$33,000, respectively, in the years ended June 30, 2020 and 2019.

Future minimum lease payments, by year and in the aggregate, under this lease consist of the following:

<u>Years ending June 30;</u>	
2021	\$ 33,000
2022	35,750
2023	39,325
2024	6,655
	<u>\$114,730</u>

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

Note 5. SBA PPP Loan Payable

The Organization received a promissory note from U.S. Bank for the Paycheck Protection Program to help the Organization through the COVID-19 pandemic. On May 6, 2020, the Company received a promissory note in the amount of \$28,696 with a fixed annual interest rate of 1%. This note has the potential to be forgiven at the end of either an 8 or 24 week period depending on when these funds are used up on qualified expenses. To the extent it is not forgiven, the note will bear interest at 1%, payable in 18 installments of \$1,614.65, beginning December 2, 2020 and have a maturity date of May 2, 2022. No payments will be due on the note for six months from the date of the first disbursement of the note; however, interest continues to accrue during the deferment period. Payments of principal and interest are then due monthly thereafter.

Maturities for this loan are as follows:

<u>Year ending June 30,</u>	
2021	\$ 11,163
2022	<u>17,533</u>
	<u>\$ 28,696</u>

Note 6. Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows are relatively consistent throughout the year due to monthly assessments from BID and SBEP programs, and a weekly Farmers Market. For months in which special events occur the Organization receives grants, contributions and sponsorships for the events corresponding to the timing of the event. To manage liquidity the Organization maintains adequate cash balances.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>06/30/2020</u>
Financial assets at year-end	\$ 270,844
Less those unavailable for general expenditures within one year: none	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 270,844</u>

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

Note 7. Subsequent Events

The management of the Organization have reviewed the results of operations and evaluated subsequent events for the period of time from its year end June 30, 2020 through October 26, 2020, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

COVID-19:

Since June 30, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

On March 11, 2020, the economy shut down in an effort to stop COVID-19 from spreading. The Organization suffered financial losses and specific disruptions because of the pandemic which include cancelling three key fundraising events, cancelling then reducing the PB Tuesday Farmers' Market, and extended deadline for membership assessments to be paid. The Organization had mitigated the effects of the pandemic by, reduction of non-essential expenses, obtaining financing (SBA PPP Loan – see Note 5), and applying for grants. This helped minimize the Organization's losses during the first 4-6 months of the pandemic.

The Organization has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.