

BONK, CUSHMAN, EAGLE & GARCIA
CERTIFIED PUBLIC ACCOUNTANTS

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AN ACCOUNTANCY CORPORATION

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**PACIFIC BEACH COMMUNITY
DEVELOPMENT CORPORATION**

dba DISCOVER PACIFIC BEACH

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pacific Beach Community Development Corporation dba Discover Pacific Beach

Opinion

We 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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pacific Beach Community Development Corporation dba Discover Pacific Beach and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Beach Community Development Corporation dba Discover Pacific Beach's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pacific Beach Community Development Corporation dba Discover Pacific Beach's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Beach Community Development Corporation dba Discover Pacific Beach's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bonk, Cushman, Eagle & Garcia

January 23, 2024

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Cash and Cash Equivalents	\$ 239,336	\$ 301,770
Accounts Receivable	23,531	21,600
Total Current Assets	<u>262,867</u>	<u>323,370</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
Total Other Assets	<u>1,450</u>	<u>1,450</u>
 Total Assets	 <u><u>\$ 264,317</u></u>	 <u><u>\$ 324,820</u></u>
 LIABILITIES:		
Accounts Payable	\$ 15,435	\$ 11,493
Payroll Liabilities	5,887	-
Total Current Liabilities	<u>21,322</u>	<u>11,493</u>
 Total Liabilities	 <u><u>\$ 21,322</u></u>	 <u><u>\$ 11,493</u></u>
NET ASSETS:		
Without Donor Restrictions	\$ 242,995	\$ 313,327
Total Net Assets	<u>242,995</u>	<u>313,327</u>
 Total Liabilities & Net Assets	 <u><u>\$ 264,317</u></u>	 <u><u>\$ 324,820</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
SUPPORT & REVENUE:		
BID Reimbursement	\$ 154,383	\$ 153,251
SBEP	44,619	31,545
Other Grants	4,525	20,000
Community Court	12,562	6,840
BeachFest	72,542	3,000
Farmers Market	190,462	198,252
Other Special Events	56,576	33,500
Other Programs	25,774	9,774
Employee Retention Tax Credit	39,696	-
Sublease	1,210	3,905
SBA PPP Loan Forgiveness	-	31,545
Miscellaneous	<u>7,959</u>	<u>511</u>
Total Support & Revenue	610,308	492,123
EXPENSES:		
Program Services	577,751	375,235
Management & General	<u>102,889</u>	<u>54,630</u>
Total Expenses	<u>680,640</u>	<u>429,865</u>
Change in Net Assets	(70,332)	62,258
Net Assets, Beginning of Year	<u>313,327</u>	<u>251,069</u>
Net Assets, End of Year	<u><u>\$ 242,995</u></u>	<u><u>\$ 313,327</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, 2023

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Auto Expense	\$ 2,625	\$ 656	\$ 3,281
Bank Fees	6,697	1,674	8,371
BeachFest	100,083	25,021	125,104
Building Repairs & Maintenance	3,182	795	3,977
Business Development	1,399	-	1,399
Cleaning & Beautification	77,569	-	77,569
Dues and Subscriptions	380	95	475
Farmers Market	39,461	-	39,461
Health Insurance	8,160	2,040	10,200
Insurance	12,743	3,186	15,929
Legal Fees	-	1,500	1,500
Meals & Entertainment	962	241	1,203
Miscellaneous	-	1,259	1,259
Newsletter	1,872	468	2,340
Other Special Events	26,897	6,724	33,621
Outreach	18,848	4,712	23,560
Payroll Service	336	84	420
Payroll Taxes	15,601	3,195	18,796
Postage	109	27	136
Printing & Publications	2,523	631	3,154
Professional Services	16,970	4,242	21,212
Rent	25,894	6,474	32,368
Salaries & Wages	196,476	35,123	231,599
Office Supplies & Equipment	5,564	1,391	6,955
Taxes	224	56	280
Telephone	3,110	778	3,888
Training & Conferences	2,011	503	2,514
Utilities	8,055	2,014	10,069
	<u>577,751</u>	<u>102,889</u>	<u>680,640</u>
Total Expenses	\$ <u>577,751</u>	\$ <u>102,889</u>	\$ <u>680,640</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, 2022

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Auto Expense	\$ 2,400	\$ 600	\$ 3,000
Bank Fees	6,162	1,540	7,702
BeachFest	1,369	342	1,711
Building Repairs & Maintenance	2,575	644	3,219
Business Development	1,230	-	1,230
Cleaning & Beautification	79,004	-	79,004
Dues and Subscriptions	420	105	525
Farmers Market	37,839	-	37,839
Health Insurance	1,400	350	1,750
Insurance	12,330	3,083	15,413
Meals & Entertainment	290	72	362
Miscellaneous	-	5	5
Newsletter	1,872	468	2,340
Office Cleaning	204	51	255
Other Special Events	18,693	4,673	23,366
Outreach	4,901	1,225	6,126
Payroll Service	294	74	368
Payroll Taxes	10,247	2,099	12,346
Postage	6	1	7
Printing & Publications	2,574	644	3,218
Professional Services	19,509	4,877	24,386
Rent	21,340	5,335	26,675
Salaries & Wages	129,576	23,192	152,768
Office Supplies & Equipment	7,549	1,887	9,436
Taxes	152	38	190
Telephone	2,220	555	2,775
Training & Conferences	4,071	1,018	5,089
Utilities	7,008	1,752	8,760
Total Expenses	\$ <u>375,235</u>	\$ <u>54,630</u>	\$ <u>429,865</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (70,332)	\$ 62,258
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Forgiveness off PPP Loan	-	(31,545)
(Increase) / Decrease in:		
Accounts Receivable	(1,931)	(10,809)
Rent Deposit	-	1,965
Increase / (Decrease) in:		
Accounts Payable	3,942	(2,257)
Payroll Liabilites	5,887	-
Deferred Revenue	-	(8,850)
Net Cash (Used) Provided by Operating Activities	<u>(62,434)</u>	<u>10,762</u>
 Net (Decrease) Increase in Cash & Cash Equivalents	 (62,434)	 10,762
 Cash & Cash Equivalents, Beginning of Year	 <u>301,770</u>	 <u>291,008</u>
 Cash & Cash Equivalents, End of Year	 <u><u>\$ 239,336</u></u>	 <u><u>\$ 301,770</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, 2023 and 2022

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 have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation: The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: net assets without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

Net assets with donor restrictions: net assets with donor-imposed restrictions are the net assets that are contributions subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by the passage of time or can be fulfilled and removed by action of the Organization pursuant to these stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

Note 2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued: The Organization reports unconditional contributions restricted by donors as increases in net assets with donor restrictions in the reporting period in which the revenue is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization reports conditional contributions with restrictions by donors as increases in net assets without donor restrictions in the reporting period in which the condition has been satisfied and revenue has been recognized, and when the time restriction ends, or purpose restriction is accomplished.

Cash and Cash Equivalents: The Organization has defined cash and cash equivalents as cash in banks 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, 2023 and 2022.

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 are 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, 2023 and 2022 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 accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risks: The primary receivable balance outstanding on June 30, 2023 and 2022 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 Organization's receivables consist of earned fees from reimbursement-contracts granted by the City of San Diego. Management has determined that all balances are collectible.

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

Note 2. Summary of Significant Accounting Policies, continued

Compensated Absences: Compensated absences for sick pay and personal time off have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

Revenues: The Organization is funded principally by the City of San Diego through the Business Improvement District (BID), Small Business Enhancement Program Management Grant (SBEP), and grants. In addition, the Organization operates other projects and programs to promote the business environment in the area and generates income from these programs.

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.

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, 2023 and 2022, 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. Management has submitted all reports required by funding agencies and is not aware of the existence of any potential disallowances.

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

Note 4. Commitments and Contingencies, continued

Obligations Under Operating Leases: 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. During the year ending June 30, 2023, this lease was extended nine months, extending the term from October 1, 2023 through June 30, 2024, with a monthly rent of \$3,660.25. Total lease payments under this lease amounted to \$32,368 and \$26,675, respectively, in the years ended June 30, 2023 and 2022.

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

<u>Year ending June 30;</u>	
2024	<u>\$ 42,925</u>

Note 5. SBA PPP Loan Payable

The Organization received a second promissory note from U.S. Bank for the Paycheck Protection Program (PPP2) to help the Organization through the COVID-19 pandemic. On March 1, 2021, the Organization received a promissory note in the amount of \$31,545 with a fixed annual interest rate of 1%.

The Organization submitted their forgiveness application in November 2021, and on December 1, 2021, U.S. Bank informed the Organization that all principal and interest was forgiven in full for the second PPP loan.

The Organization has recorded the forgiven SBA PPP loans as revenue on the statements of activities for the year ended June 30, 2022.

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>06/30/2023</u>	<u>06/30/2022</u>
Financial assets at year-end	\$ 262,867	\$ 323,370
Less those unavailable for general expenditures within one year: none	_____ -	_____ -
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 262,867</u>	<u>\$ 323,370</u>

PACIFIC BEACH COMMUNITY DEVELOPMENT CORPORATION
dba DISCOVER PACIFIC BEACH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

Note 7. Accounting Pronouncement Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis and does not affect the periods presented in this report.

Note 8. 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, 2023 through January 23, 2024, 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.