

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

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BECK and COMPANY, CPAs

**INDEPENDENT AUDITOR'S REPORT
MISSION HILLS BUSINESS IMPROVEMENT DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017**

To the Board of Directors

MISSION HILLS BUSINESS IMPROVEMENT DISTRICT

We have audited the accompanying financial statements of Mission Hills Business Improvement District which comprise the balance sheets as of JUNE 30, 2017 and the related statement of revenues, expenses and changes in fund balances and cash flows for the year 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors 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 of 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 Mission Hills Business Improvement District as of JUNE 30, 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MISSION HILLS BUSINESS IMPROVEMENT DISTRICT

Auditor's Report (cont.)

Report on Summarized Comparative Information

We have previously audited the June 30, 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 9, 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.



Charles F. Beck, CPA

Beck and Company, CPA's, Inc.

October 9, 2017

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
JUNE 30, 2017
(With Comparative Totals for 06/30/2016)**

	2017	2016
	Operating Fund	Total Funds
<u>ASSETS:</u>		
Cash	\$ 1,921	\$ 1,671
Accounts Receivable	600	1,856
TOTAL ASSETS	\$ 2,521	\$ 3,527
<u>LIABILITIES:</u>		
Accounts Payable	\$ -	\$ 2,256
Accrued Expenses	3,597	3,200
TOTAL LIABILITIES	3,597	5,456
 NET ASSETS	 (1,076)	 (1,929)
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,521	 \$ 3,527

MISSION HILLS BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 06/30/2016)

	<u>2017</u>	<u>2016</u>
	<u>Operating</u>	<u>Total</u>
	<u>Fund</u>	<u>Funds</u>
<u>REVENUES</u>		
B.I.D. Reimbursement	\$ 34,029	\$ 34,662
SBEP Management Grant	22,046	21,980
Other Grants	25,000	3,000
Special Events	31,788	12,200
Contributions	4,500	-
In Kind Donations	15,291	-
Other Revenue	7,244	8,931
TOTAL REVENUES	139,898	80,773
<u>EXPENSES</u>		
Program Services	119,474	78,703
General and Management	19,572	19,939
TOTAL EXPENSES	139,045	98,642
INCREASE (DECREASE) IN NET ASSETS	853	(17,869)
NET ASSETS, BEGINNING OF YEAR	(1,929)	15,940
NET ASSETS, END OF YEAR	\$ (1,076)	\$ (1,929)

See accompanying notes to financial statements

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 06/30/2016)**

	2017	2016
	Operating Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(Decrease) in Unrestricted Net Assets	\$ 853	\$ (17,869)
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
(Increase) decrease in:		
Assessments Receivable	1,256	1,391
Increase (decrease) in:		
Accounts Payable	(2,256)	1,803
Accrued Expenses	397	3,200
	(603)	6,394
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	250	(11,475)
Sub Total	250	(11,476)
NET INCREASE (DECREASE) IN CASH	250	(11,476)
CASH AT BEGINNING OF YEAR	1,671	13,147
CASH AT END OF YEAR	\$ 1,921	\$ 1,671
 SUPPLEMENTAL DISCLOSURE		
Income taxes paid	\$ -	\$ -

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	2017		
	<u>Program</u>	<u>Management</u>	<u>Total</u>
<u>EXPENSES CATEGORY:</u>			
Accounting/Audit	\$ 2,800	\$ 2,800	\$ 5,600
Annual Meeting	248	62	310
Bank/Finance Charges	10	3	13
Miscellaneous	-	346	346
Design	25,418	-	25,418
Dues & Subscriptions	400	100	500
Insurance - Liability & D & O	2,538	635	3,173
Meetings/Parking	-	12	12
Personnel	56,711	14,178	70,889
Printing & Copying	68	17	85
Promotion/Outreach/Marketing	15,601	-	15,601
Rent	4,224	1,056	5,280
Special Projects/Events.	8,351	-	8,351
Supplies	242	60	302
Tax	-	10	10
Technical Assistance.	1,999		1,999
Telephone	864	292	1,156
Total Functional Expenses	<u>\$ 119,474</u>	<u>\$ 19,572</u>	<u>\$ 139,045</u>

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – ORGANIZATION

Mission Hills Business Improvement District (“MHBID”) is a non-profit consortium of local businesses organized in 2004 for the purpose of promoting, improving and fostering business conditions in the City of San Diego in the area commonly known as Mission Hills, which established and defined a parking and business improvement area as the Mission Hills Business Improvement District under the provisions of the Parking and Business Improvement Area of Law of 1979 of the State of California and enabling ordinances of the City of San Diego.

NOTE 2 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the corporation has evaluated events and transactions for potential recognition or disclosure through date of the audit report, which is the date that the financial statements were available to be issued.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements and Fund Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). To ensure observance of any limitations and restrictions placed on the use of resources available to MHBID, the corporation’s books of accounts are maintained in accordance with the principles of fund accounting. These are the procedures by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” The corporation also presents a statement of cash flows. For the year ending JUNE 30, 2017 there are no restricted funds.

Support, Contributions, and Grant Revenue

All Support, Contributions, and Grant(s) revenue are considered to be available for unrestricted use unless specifically restricted by the donor. For Contributions the corporation complies with SFAS No. 116 “Accounting for Contributions Received and Contributions Made.” Under SFAS No.116 contributions are defined as an unconditional transfer of cash or other asset(s) to an entity, or a settlement or cancellation of it’s liabilities in a voluntary non-reciprocal transfer. Generally contributions received are recognized as revenues in the period received at fair market value. In situations where contributions are restricted or conditional upon the corporation incurring certain qualifying expenses such contributions become unrestricted or unconditional upon the expense being incurred. Accordingly these revenues and costs are recognized when incurred. For the year ending June 30, 2017 the corporation recognized monthly income per monthly requests for reimbursement of approved expenses incurred in the period pursuant to the terms of the contract with the City of San Diego.

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

The corporation reports grants, contracts, and gifts as temporarily restricted if they are received with stipulations that limit the timing and/or use of the assets. When a restriction expires either due to time and or the stipulation is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However as permitted under SFAS No. 116 the corporation follows the practice of recording as unrestricted income all contributions and grants where restrictions lapse in the same fiscal year in which they are received. For the year ended June 30, 2017 MHBID did not have any restricted funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions, if made.

Economic Concentrations

The corporation's operations are conducted solely in San Diego, California. During the year ended June 30, 2017 the corporation received some significant contributions from a limited number of sources which are an Economic Concentration. The corporation depends on contributions and donations from both public and private funding sources. Based on the strength of its balance sheet and the historical commitment from governmental agencies the corporation does not see any risk in this Economic Concentration.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The corporation receives substantial funding from government agencies which may be restricted under the terms of the related funding agreements. When restricted, expenditures are charged against these restricted funds and are subject to audit by the funding agencies. It is possible future audits will result in expenditure disallowances; however, based on their knowledge of the funding agencies and the fact that no material cost disallowances have occurred in the past, management believes that any such disallowances will not be material.

NOTE 5 – INCOME TAXES

The corporation qualifies for exemption from income taxes under Federal and State Revenue codes. Therefore no tax provision is necessary and has not been provided for in the financial statements. The corporation is subject to taxation on unrelated business income, if any. There was no unrelated business income for the year ended June 30, 2017. Management does not believe that any material uncertain tax position exists.

NOTE 6 – IN KIND DONATIONS

In the year ending June 30, 2017 the MHBID secured \$15,291 of in-kind donations which directly supported its promotions, outreach, and marketing programs.

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - PENDING LAWSUIT

Mission Hills Business Improvement District is one of the nonprofit organization named as defendants in a lawsuit filed by San Diegans for Open Government (Plaintiff/Petitioner) on June 15, 2015. 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 organization negotiated with the plaintiff to be removed from the lawsuit for the term of one year through a tolling agreement. That tolling agreement was extended for one year on June 15, 2016. Upon the expiration of the tolling agreement, San Diegans for Open Government filed a new complaint which includes in verbatim fashion the same three claims for declaratory and injunctive relief as asserted in the 2015 Action.