

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT**

Financial Statements  
For The Fiscal Year Ended June 30, 2015  
And  
Accountants' Report

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT**  
June 30, 2015

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**Guerrero, Jimenez, Diaz  
& Co. LLP**

A Certified Public Accounting Firm

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Mission Hills Business Improvement District

We have audited the accompanying financial statements of Mission Hills Business Improvement District (a Non-Profit Organization), which comprise of the statements of financial position as of June 30, 2015 and 2014, 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 Mission Hills Business Improvement District as of June 30, 2015 and 2014, 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.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Guerrero, Jimenez, Diaz & Co., LLP".

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

San Diego, California  
November 24, 2015

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT**  
**Statements of Financial Position**  
**June 30, 2015 & 2014**

**ASSETS**

	2015	2014
<b>Current Assets</b>		
Cash in Banks	\$ 13,147	\$ 2,534
Accounts Receivable	3,247	22,911
Total Current Assets	16,394	25,445
<b>Total Assets</b>	\$ 16,394	\$ 25,445

**LIABILITIES & NET ASSETS**

<b>Liabilities:</b>		
Accounts Payable	\$ 453	\$ -
<b>Total Liabilities</b>	453	-
<b>Net Assets</b>		
Unrestricted Net Assets	15,941	25,445
<b>Total Net Assets</b>	15,941	25,445
<b>Total Liabilities &amp; Net Assets</b>	\$ 16,394	\$ 25,445

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

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT**

Statements of Activity

For the Years Ended June 30, 2015 & 2014

	<u>2015</u>	<u>2014</u>
<b>Revenue:</b>		
B.I.D. Reimbursement	\$ 38,455	\$ 61,148
S.B.E.P. Management Grant	19,917	19,811
Other Grants	2,997	18,894
Special Events	11,260	2,752
Other Revenue	<u>6,049</u>	<u>2,746</u>
Total Revenues	78,678	105,351
<b>Expenses:</b>		
Program Services	70,567	86,049
General & Management	<u>17,615</u>	<u>16,653</u>
Total Expenses	<u>88,182</u>	<u>102,702</u>
Increase/(Decrease) in Unrestricted Net Assets	(9,504)	2,649
Net Assets, Beginning of Year	<u>25,445</u>	<u>22,796</u>
Net Assets, End of Year	<u>\$ 15,941</u>	<u>\$ 25,445</u>

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

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2015 & 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Increase/(Decrease) in Unrestricted Net Assets	\$ (9,504)	\$ 2,649
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease/(Increase) in Accounts Receivable	19,664	(18,971)
Increase/(Decrease) in Deferred Income	<u>453</u>	<u>(435)</u>
Total Adjustments	20,117	(19,406)
Net Cash Generated/(Used) for Operating Activities	<u>10,613</u>	<u>(16,757)</u>
<b>Cash Flows from Investing Activities</b>		
	<u>-</u>	<u>-</u>
<b>Cash Flows from Financing Activities</b>		
	<u>-</u>	<u>-</u>
<b>Net Increase/(Decrease) in Cash</b>	10,613	(16,757)
<b>Cash at Beginning of Period</b>	<u>2,534</u>	<u>19,291</u>
<b>Cash at End of Period</b>	<u>\$ 13,147</u>	<u>\$ 2,534</u>

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

## MISSION HILLS BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements

June 30, 2015

### NOTE 1- Summary of Significant Accounting Policies

#### Nature of Business

Mission Hills Business Improvement District "the Organization" 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.

#### Income tax status

The organization 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 Organization has evaluated its tax position and related income tax contingencies. Management does not believe that any material uncertain tax position exists. The association 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 Organization 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 organization is required to record and report information regarding its financial position and activities according to three classes of net assets:

- \* Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Organization.
- \* Temporarily restricted net assets consist of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- \* Permanently restricted net assets consist of contributions subject to donor-imposed stipulations that they be maintained permanently by the Organization.



Cash and Cash Equivalents

Time deposits with maturity date of three or less months are considered to be cash equivalents.

Revenue Recognition

The corporation recognizes income based upon monthly requests for reimbursement of approved expenses incurred in the period pursuant to the terms of the contract with the City of San Diego.

NOTE 2 – Accounts Receivable

The balance in accounts receivable represents the following unpaid claims submitted to various agencies of the City of San Diego for expenditures incurred through the end of the fiscal year.

City Fees & Services Receivable	3,247
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NOTE 3 – Subsequent Events

Subsequent events have been evaluated through November 24, 2015, which is the date the financial statements were available to be issued.

NOTE 4 – 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.

**MISSION HILLS BUSINESS IMPROVEMENT DISTRICT**  
**Schedule of Functional Expenses**  
**For the Years Ended June 30, 2015 & 2014**

	<u>Program Services</u>	<u>General &amp; Mgmt.</u>	<u>Total</u>	<u>2014</u>
<b>Expenses:</b>				
Accounting	\$ 3,370	\$ 3,370	\$ 6,740	\$ 6,180
Bank Fees	295	74	369	253
Designs	5,597	-	5,597	17,744
Dues & Subscriptions	400	100	500	500
Equipment	-	-	-	598
Printing	61	15	76	75
Insurance	6,401	1,600	8,001	2,384
Meetings	79	20	99	703
Miscellaneous	-	46	46	88
Postage	138	34	172	165
Payroll Services	30	8	38	441
Promotions	368	-	368	11,316
Rent	4,000	1,000	5,000	6,000
Salaries & Payroll Taxes	43,450	10,862	54,312	54,539
Special Events	4,436	-	4,436	-
Supplies	387	97	484	1,150
Telephone	751	188	939	69
Worker's Comp.	804	201	1,005	497
<b>Total Expenses</b>	<b><u>\$ 70,567</u></b>	<b><u>\$ 17,615</u></b>	<b><u>\$ 88,182</u></b>	<b><u>\$ 102,702</u></b>

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