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Leonard C. Sonnenberg, CPA

**ADAMS AVENUE
BUSINESS ASSOCIATION, INC.
Reviewed Financial Statements
For the Year Ended December 31, 2023**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
Adams Avenue Business Association, Inc.

We have reviewed the accompanying financial statements of **Adams Avenue Business Association, Inc.** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Adams Avenue Business Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

The prior year summarized comparative information has been derived from the December 31, 2022 financial statements, which were audited by us and we expressed an unmodified opinion on them in our report dated May 15, 2023. We have not performed any auditing procedures since that date. The summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

The Statement of Compliance on page 12, the Statement of Expenditures - Budget vs. Actual, City of San Diego Contracts on page 13, and the Schedule of Event Revenue and Expenses on page 14 are presented for purposes of additional analysis and not required parts of the financial statements. Such information is the responsibility of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

April 30, 2024


Sonnenberg & Company, CPAs

ADAMS AVENUE BUSINESS ASSOCIATION, INC.

Statement of Financial Position

December 31, 2023

(With Comparative Totals for December 31, 2022)

	Review	Audit
	2023	2022
Assets		
Cash	\$ 31,680	\$ 5,690
Investments	256,094	232,726
Contracts Receivable	28,899	4,731
Grants Receivable	3,682	33,209
Other Receivable	300	6,664
	<u>320,655</u>	<u>283,020</u>
Total Assets	\$ 320,655	\$ 283,020
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 5,586	\$ 1,208
Deferred Revenue	6,080	8,111
	<u>11,666</u>	<u>9,319</u>
Total Liabilities	11,666	9,319
Net Assets		
Without Donor Restrictions		
Undesignated	58,989	23,701
Designated by the Board for Capital Projects and Others	250,000	250,000
	<u>308,989</u>	<u>273,701</u>
Total Net Assets	308,989	273,701
Total Liabilities and Net Assets	\$ 320,655	\$ 283,020

See accompanying notes and independent accountant's review report

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
Statement of Activities
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	Review 2023	Audit 2022
Revenue and Support		
Contracts	\$ 157,281	\$ 141,749
Contribution and Grants	29,056	32,209
Employee Retention Tax Credit	44,642	-
Events	372,015	270,945
Other Program Revenue	9,293	18,673
Net Investment Return	23,368	(34,923)
Total Revenue and Support	635,655	428,653
Expenses		
Program Services	545,867	430,776
Supporting Services		
Management and General	54,500	38,521
Total Expenses	600,367	469,297
Change in Net Assets	35,288	(40,644)
Net Assets, Beginning of Year	273,701	314,345
Net Assets, End of Year	\$ 308,989	\$ 273,701

See accompanying notes and independent accountant's review report

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	<u>Program Services</u>	<u>Review Management and General</u>	<u>2023 Total</u>	<u>Audit 2022 Total</u>
Personnel and Related				
Salaries and Wages	\$ 148,258	\$ 16,473	\$ 164,731	\$ 142,076
Payroll Taxes	11,894	1,321	13,215	11,592
Employee Benefits	4,500	499	4,999	5,010
Payroll Processing Fees	565	62	627	1,636
Total Personnel and Related	<u>165,217</u>	<u>18,355</u>	<u>183,572</u>	<u>160,314</u>
Non-Personnel				
Accounting and Audit	-	25,333	25,333	17,240
Advertising and Marketing	33,574	-	33,574	25,299
Board and Committee Meetings	3,088	343	3,431	4,297
Contracted Services	480	-	480	900
Events	250,329	-	250,329	215,242
Dues and Subscriptions	3,100	344	3,444	4,117
Insurance	7,341	815	8,156	7,774
Legal Fees	-	-	-	2,259
Miscellaneous	2,610	410	3,020	213
Maintenance	69,834	7,759	77,593	25,257
Postage and Delivery	180	20	200	116
Supplies and Office Expenses	5,219	579	5,798	1,896
Telephone	3,915	434	4,349	3,324
Travel	980	108	1,088	1,049
Total Non-Personnel	<u>380,650</u>	<u>36,145</u>	<u>416,795</u>	<u>308,983</u>
Total Expenses	<u>\$ 545,867</u>	<u>\$ 54,500</u>	<u>\$ 600,367</u>	<u>\$ 469,297</u>

See accompanying notes and independent accountant's review report

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	<u>Review</u> 2023	<u>Audit</u> 2022
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 35,288	\$ (40,644)
Adjustments to reconcile change in net assets to net cash Provided by Operating Activities:		
Unrealized Loss (Gain)	(23,368)	34,923
(Increase) / Decrease in:		
Contract Receivable	(24,168)	17,487
Grants Receivable	29,527	(31,709)
Other Receivable	6,364	(5,508)
Increase / (Decrease) in:		
Accounts Payable and Accrued Expenses	4,378	681.00
Deferred Revenue	(2,031)	1,642
	<u>25,990</u>	<u>(23,128)</u>
Net Cash Used in Operating Activities		
	<u>25,990</u>	<u>(23,128)</u>
Net (Decrease) in Cash		
	<u>5,690</u>	<u>\$ 28,818</u>
Cash, Beginning of year		
	<u>5,690</u>	<u>\$ 28,818</u>
Cash, End of Year	<u>\$ 31,680</u>	<u>\$ 5,690</u>

See accompanying notes and independent accountant's review report

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

Note 1 Organization and Nature of Activities

The Adams Avenue Business Association, Inc. (the Association) was established in 1982 and incorporated in 1985 as a non-profit mutual benefit corporation. Its mission is to promote and increase commercial activity within the Adams Avenue Business Improvement District. The Association is supported by San Diego City program contract income and special events income.

The governing body is the Board of Directors elected annually from the general membership. The members are those businesses located along Adams Avenue from Hamilton Street on the west to Vista Street on the east. Membership is contingent upon paying the required City of San Diego Business License Tax and the Business Improvement District fee both of which are simultaneously collected each year by the City of San Diego.

The Association manages the Adams Avenue Business Improvement District and Maintenance Assessment District through contracts with the City of San Diego. The Association also hosts three annual special events: Adams Avenue Unplugged, Taste of Adams Avenue and the Adams Avenue Street Fair. These events are operated as promotion for the business district, community events and fundraising activities for the projects and programs of the Association.

Other activities of Association include marketing and promoting the Adams Avenue Business Improvement District and its member businesses, acting as a resource Association for the small business members, acting as liaison with governmental offices, working with the City of San Diego to administer progressive programs that assist small businesses such as the Public Right of Way Program and Storefront Improvement Program.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated from net assets without donor restrictions. As of December 31, 2023, the board designated balance was \$250,000 for capital projects and other programs.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

Note 2 **Summary of Significant Accounting Policies, continued**

Basis of Presentation (continued)

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. 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, and are reported in the statement of activities as net assets released from restrictions.

The Association did not have any net assets with donor restrictions for the year ended December 31, 2023.

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(d) of the California State Revenue and Taxation Code. The Association is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that the Association is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the year ended December 31, 2023. The Association's management has evaluated its tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. Accordingly, there are no tax positions that qualify for recognition or disclosure in the financial statements.

Cash

The Association has defined cash and cash equivalents as cash in banks and highly liquid investments with an original maturity of three months or less.

Investments

Investments are stated at fair value based on quoted or published market prices, expected investment return, and discount rate, as applicable. Investments consist of mutual funds. Net investment return including interest, dividends, fees, and gains and losses on investments is reported on the statement of activities.

Accounts Receivable

Accounts receivable are from city and county granting agencies. Management believes that all grants and contracts receivable are fully collectible; therefore, no allowance for doubtful accounts has been recorded as of December 31, 2023.

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

Note 2 Summary of Significant Accounting Policies, continued

Revenue Recognition

Grant and contract revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or contract. Prepaid fees for events and contract income received in advance are deferred. As of December 31, 2023, the total deferred contract income was \$6,080.

Fair Value Measurements

Investments are reported at fair value in the Association's financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Generally Accepted Accounting Principles (GAAP) establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

Level 1 - inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

Level 2 - inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

Level 3 - inputs are unobservable inputs for the asset or liability.

The Association's investment is categorized Level 1 inputs.

Contributed Nonfinancial Assets

The estimated fair value of donated goods and professional services is recorded in the financial statements. Donated goods are recorded at fair value at the date of donation. Donated professional services are recognized in the financial statements because the services create nonfinancial assets, require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Association presents contributed nonfinancial assets in accordance with Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

The Association receives donated volunteer services which have not been reflected in the accompanying financial statements because such services do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America.

Functional Allocation of Expenses

The Association allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Association's management.

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

Note 2 Summary of Significant Accounting Policies, continued

Advertising Expenses

Advertising costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates under different assumptions or conditions.

Comparative Financial Information

The comparative information shown for the previous year is included to provide a basis for comparison and presents summarized totals only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2022, from which the summarized information was derived. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 3 Concentrations

The Association maintains cash at a financial institution. Cash is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Association's was fully insured on December 31, 2023.

All receivables were from the City of San Diego and fully collected subsequent to the year end. As of December 31, 2023, the Association had no significant concentrations of credit risk with respect to contracts and grants receivable.

Note 4 Investments and Fair Value Measurement

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of December 31, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance 12/31/2023
Mutual funds	\$ 256,094	\$ -	\$ -	\$ 256,094

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

Note 5 Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year End	
Cash	\$ 31,680
Investments	256,094
Contracts Receivable	28,899
Grants Receivable	3,682
Other Receivable	300
Total Financial Assets	320,655
Designated by the Board for Capital Projects and Other	(250,000)
Financial Assets Available to Meet General Expenditure Within One Year	\$ 70,655

As part of Association’s liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association invests cash in excess of daily requirements in mutual funds. Board-designated reserves are available for general expenditures with board approval if necessary.

Note 6 Commitments and Contingencies: Grants and Contracts

The Association’s grants and 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 Association has no provisions for the possible disallowance of program costs on its financial statements.

Note 7 Legal Settlement

On January 14, 2022, a claim was filed against Adams Avenue Business Association and three other parties regarding 2019 stage incident. On June 15, 2023, a Settlement Agreement has been reached with two million dollars paid to the plaintiff. The Association was responsible for half of the settlement, one million dollars which was covered by the insurance company.

Note 8 Date of Management Review

The Association has evaluated subsequent events through April 30, 2024, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

STATEMENT OF COMPLIANCE

April 30, 2024

To Whom It May Concern:

Adams Avenue Business Association is in compliance with all City of San Diego requirements, such as general requirements, compensation and reimbursements, record keeping and insurance as set forth in the agreements between the City of San Diego and the Adams Avenue Business Association.

All required reports and disclosures have been submitted.



Scott Kessler

Executive Director

See Independent Accountant's Report

ADAMS AVENUE BUSINESS ASSOCIATION, INC.
Statement of Expenditures
Budget vs Actual
City of San Diego Contracts & Grants- BID, MAD, & SBEP
July 2022 through June 2023

	BID			MAD		SBEP		
	Actual	Budget	Over (Under) Budget	Actual	Budget (not required)	Actual	Budget	Over (Under) Budget
Income								
41000 · SBEP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,487	\$ 22,000	\$ 3,487
42000 · MAD	-	-	-	61,380	-	-	-	-
42020 · BID	47,555	60,000	(12,445)	-	-	-	-	-
Total Income	47,555	60,000	(12,445)	61,380	-	25,487	22,000	3,487
Expenses								
50020 · Personnel								
50027 · Office Staffing	29,190	26,000	3,190	17,597	-	18,282	22,000	(3,718)
Total 50020 · Personnel	29,190	26,000	3,190	17,597	-	18,282	22,000	(3,718)
52010 · Maintenance								
52035 · Supplies	-	-	-	5,076	-	-	-	-
52025 · Utilities(Water/Electric)	-	-	-	3,741	-	-	-	-
52020 · Contract Labor	-	-	-	29,476	-	-	-	-
Total 52010 · Maintenance	-	-	-	38,293	-	-	-	-
53100 · Special Events								
53110- Permits	-	-	-	-	-	3,205	-	3,205
53115 · Promotional	550	-	550	-	-	-	-	-
Total 53100 · Special Events	550	-	550	-	-	3,205	-	-
50040 Operating								
50210 - Office Supplies	578	-	578	-	-	-	-	-
50125 - Accounting	2,919	-	2,919	5,490	-	2,000	-	2,000
50060 · Dues and Subscriptions	1,041	-	1,041	-	-	195	-	195
50090 · Telephone	1,523	-	1,523	-	-	-	-	-
50070 · Postage and Delivery	75	-	75	-	-	-	-	-
Total 50040 Operating	6,136	20,000	13,864	5,490	-	2,195	-	2,195
51510 · Marketing								
51555 - Graphic Design	-	2,200	(2,200)	-	-	-	-	-
51530 - Website/Social Media	10,991	2,800	8,191	-	-	1,805	-	1,805
51535 - Advertising/Promotion	300	3,200	(2,900)	-	-	-	-	-
51545 · Newsletter	388	-	388	-	-	-	-	-
51560 - Holiday on Adams	-	3,800	(3,800)	-	-	-	-	-
Total 51510 · Marketing	11,679	12,000	(321)	-	-	1,805	-	1,805
CONTINGENCY	-	2,000	(2,000)	-	-	-	-	-
Total Expense	47,555	60,000	(12,445)	61,380	-	25,487	22,000	282
Net Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Accountant's Report

ADAMS AVENUE BUSINESS ASSOCIATION, INC.

Schedule of Event Revenue and Expenses

For the Year Ended December 31, 2023

	<u>Unplugged</u>	<u>Taste of Adams</u>	<u>Street Fair</u>	<u>Spirit Stroll</u>	<u>Total</u>
Revenue:					
Booth Rentals	\$ 2,644	\$ -	\$ 173,010	\$ -	\$ 175,654
Ticket Sales	5,097	52,640	-	17,054	74,791
Sales of Merchandise	-	-	4,581	-	4,581
Sponsorship	100	5,000	52,967	-	58,067
Other Income	9,340	-	49,582	-	58,922
Total Revenue	<u>17,181</u>	<u>57,640</u>	<u>280,140</u>	<u>17,054</u>	<u>372,015</u>
Expenses:					
Equipment Rental	-		45,303	-	45,303
Advertising	4,084	1,300	17,038	-	22,422
Contract Labor	6,707	800	95,583	215	103,305
Music & Entertainment	8,725	-	28,550	-	37,275
Other Event Expenses	2,205	2,629	30,849	6,341	42,024
	<u>21,721</u>	<u>4,729</u>	<u>217,323</u>	<u>6,556</u>	<u>250,329</u>
Net Revenue	\$ <u>(4,540)</u>	\$ <u>52,911</u>	\$ <u>62,817</u>	\$ <u>10,498</u>	\$ <u>121,686</u>

For the Year Ended December 31, 2022

	<u>Unplugged</u>	<u>Taste of Adams</u>	<u>Street Fair</u>	<u>Spirit Stroll</u>	<u>Total</u>
Revenue:					
Booth Rentals	\$ 1,990	\$ -	\$ 132,027	\$ -	\$ 134,017
Ticket Sales	10,692	44,751	55,618	14,795	125,856
Sales of Merchandise	-	-	5,137	-	5,137
Sponsorship	-	5,000	785	-	5,785
Other Income	-	150	-	-	150
Total Revenue	<u>12,682</u>	<u>49,901</u>	<u>193,567</u>	<u>14,795</u>	<u>270,945</u>
Expenses:					
Equipment Rental	533	526	30,370	988	32,417
Advertising	6,535	4,745	15,155	-	26,435
Contract Labor	4,932	730	86,169	2,750	94,581
Music & Entertainment	7,400	-	24,100	-	31,500
Other Event Expenses	420	3,349	19,248	7,592	30,609
	<u>19,520</u>	<u>9,350</u>	<u>175,042</u>	<u>11,330</u>	<u>215,242</u>
Net Revenue	\$ <u>(6,838)</u>	\$ <u>40,551</u>	\$ <u>18,525</u>	\$ <u>3,465</u>	\$ <u>55,703</u>