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DIAMOND BUSINESS ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2014

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To the Board of Directors of
Diamond Business Association, Inc.

I have audited the accompanying financial statements of Diamond Business Association, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, 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 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 audit. I conducted my audit 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 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, 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 Diamond Business Association, Inc., as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Andres D. Garcia, CPA
October 21, 2014

DIAMOND BUSINESS ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS:

Cash and Cash Equivalents	\$ 13,321
Deposit	<u>1,000</u>
TOTAL ASSETS	\$ <u>14,321</u>

LIABILITIES:

BID Advance	\$ <u>9,841</u>
TOTAL LIABILITIES	<u>9,841</u>

NET ASSETS:

Unrestricted	<u>4,480</u>
TOTAL NET ASSETS	<u>4,480</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>14,321</u>

The Accompanying Notes are an Integral Part of the Financial Statements

DIAMOND BUSINESS ASSOCIATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

Revenue and Support:

City of San Diego - Business Improvement District	\$ 52,409
City of San Diego - Small Business Enhancement Program	19,473
Grants	2,720
Other Income	1,145
Special Events	745
Total Revenue and Support	<u>76,492</u>

Expenses:

Program Services	
Banner Design	7,588
Outreach and Promotion	5,422
Special Events	8,726
Total Program Services	<u>21,736</u>

Supporting Services:

Personnel	
Salaries	32,530
Payroll Taxes	3,468
Workers Compensation	870
Total Personnel	<u>36,868</u>

Operating

Accounting	6,198
Consultants	1,000
Dues and Subscriptions	820
Insurance	2,585
Employee Recruitment	152
Postage and Printing	100
Rent	1,750
Supplies	1,264
Telephone	205
Travel	72
Total Operating	<u>14,146</u>

Total Supporting Services	<u>51,014</u>
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Total Expenses	<u>72,750</u>
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Change in Net Assets	3,742
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Net Assets, Beginning of Year	<u>738</u>
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Net Assets, End of Year	<u><u>\$ 4,480</u></u>
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The Accompanying Notes are an Integral Part of the Financial Statements

DIAMOND BUSINESS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 3,742
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities: (Increase) in:	
Deposit	(1,000)
Increase in:	
BID Advance	9,841
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>12,583</u>
Increase in Cash	12,583
Cash & Cash Equivalents, June 30, 2013	<u>738</u>
Cash & Cash Equivalents, June 30, 2014	<u>\$ 13,321</u>

The Accompanying Notes are an Integral Part of the Financial Statements

DIAMOND BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Nature of Organization

The Diamond Business Association, Inc. (Diamond), dba Southeastern Diamond Business District (SDBD), is a nonprofit business organization founded by local entrepreneurs interested in improving the physical conditions of the business district and their impact on the local businesses.

Diamond works to enhance the growth and development of the Diamond Business District (Diamond BID) and the surrounding community of Southeastern San Diego as an international marketplace. Diamond's mission is to create partnerships between businesses, property owners and the public and private entities that promote economic revitalization in the neighborhoods served by Diamond.

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 accounts receivable, payable 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. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions or stipulations as to purpose of use.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of the Organization or the passage of time. The Organization does not have any temporarily restricted net assets as of June 30, 2014.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions of investing the principal contribution in perpetuity and the investment income be used for the Organization's operations and programs. The Organization does not have any permanently restricted net assets as of June 30, 2014.

DIAMOND BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 money market accounts with an initial maturity of three months or less.

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.

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)(6) and California State Tax Code 23701(e), 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, 2014, there are not 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.

DIAMOND BUSINESS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 4. Commitments and Contingencies

Diamond'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, Diamond has no provisions for the possible disallowance of program costs on its financial statements.

Note 5. Prepaid Advance – BID

The contracts that Diamond maintains with the City of San Diego are all reimbursement contracts. To allow Diamond to operate efficiently, the City of San Diego provides a prepayment. Diamond received \$32,600 on September 10, 2013. Diamond applied \$22,759 of this advance to income in the year ended June 30, 2014. The balance of the BID Advance at June 30, 2014 is \$9,841.

Note 6. Functional Expenses

The following is a summary of the expenses by functional classification for the year ended June 30, 2014:

Program Services	\$ 21,736
Support Services	
Personnel	36,868
Operating	<u>14,146</u>
Total	<u>\$ 72,750</u>

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, 2014 through October 21, 2014, 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.