

# ADG CPA

## **OCEAN BEACH MERCHANT'S ASSOCIATION INC. dba OCEAN BEACH MAINSTREET ASSOCIATION**

### AUDITED FINANCIAL STATEMENTS JUNE 30, 2020

CONTENTS	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7-14

# ADG CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**Ocean Beach Merchant's Association, Inc.**  
**dba Ocean Beach Mainstreet Association**

I have audited the accompanying financial statements of Ocean Beach Merchant's Association, Inc., dba Ocean Beach Mainstreet Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, 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 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, 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 Ocean Beach Merchant's Association, Inc., dba Ocean Beach Mainstreet Association as of June 30, 2020, 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  
September 24, 2020

**OCEAN BEACH MERCHANT'S ASSOCIATION, INC.**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**ASSETS**

<b>CURRENT ASSETS:</b>	
Cash	\$ 247,439
Accounts receivable	903
Assessment receivable	13,550
Grant receivable	9,000
Prepaid insurance	6,566
Prepaid expenses	609
Inventories	11,789
Total current assets	289,856
 <b>PROPERTY AND EQUIPMENT (at cost):</b>	
Equipment and furniture	25,584
Computer equipment	6,460
Leasehold improvements	10,950
Website	5,300
Accumulated depreciation	(36,351)
Total property and equipment	11,943
<b>OTHER ASSETS: Security deposit</b>	800
<b>TOTAL ASSETS</b>	<b>\$ 302,599</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 150
Insurance payable	3,661
Credit card payable	1,148
Accrued compensation	10,294
Sales tax payable	133
Deferred revenue	17,889
Total current liabilities	33,275
 <b>LONG TERM LIABILITIES:</b>	
SBA EIDL loan	150,000
<b>TOTAL LIABILITIES</b>	<b>\$ 183,275</b>
 <b>NET ASSETS:</b>	
Net assets without donor restriction, non-designated	\$ 119,324
Total net assets without donor restrictions	119,324
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 302,599</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**OCEAN BEACH MERCHANT'S ASSOCIATION, INC.**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES AND OTHER SUPPORT:</b>			
Assessment income - BID	\$ 24,058	\$ -	\$ 24,058
Grant income	106,560	-	106,560
Maintenance Assessment District Agreement	69,601	-	69,601
Contributions	25,551	-	25,551
Special events income	295,509	-	295,509
Membership dues	12,410	-	12,410
Promotional items income	35,033	-	35,033
Interest income	19	-	19
Net assets released from restriction:			
Satisfaction of program restrictions	-	-	-
Total revenues and other support	<u>568,741</u>	<u>-</u>	<u>568,741</u>
<b>EXPENSES:</b>			
Organization	126,285	-	126,285
Clean & Safe	62,809	-	62,809
Improvements	39,310	-	39,310
Maintenance Assessment District	69,601	-	69,601
Marketing	168,267	-	168,267
Farmer's Market	92,189	-	92,189
Fireworks	31,804	-	31,804
Street Fair	41,021	-	41,021
Oktoberfest	20,729	-	20,729
Total expenses	<u>652,015</u>	<u>-</u>	<u>652,015</u>
Change in net assets	(83,274)	-	(83,274)
NET ASSETS - BEGINNING	<u>202,598</u>	<u>-</u>	<u>202,598</u>
NET ASSETS - ENDING	<u>\$ 119,324</u>	<u>\$ -</u>	<u>\$ 119,324</u>

The Accompanying Notes are an Integral Part of the Financial Statements



**OCEAN BEACH MERCHANT'S ASSOCIATION, INC.**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Organization	Clean & Safe	Improvements	MAD	Marketing	Farmer's Market	Fireworks	Street Fair	Oktoberfest	Total
Accounting	\$ 18,097	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129	\$ -	\$ 18,226
Advertising	-	180	-	197	10,866	600	300	1,025	700	13,868
Annual awards celebration	-	-	-	-	1,741	-	-	-	-	1,741
Awards and plaques	-	-	-	-	614	-	-	-	-	614
Bank charges/merchant fees	1,844	125	-	-	1,156	-	-	1,473	-	4,598
Banner program	-	-	4,937	-	-	-	-	2,000	-	4,937
Contract labor	663	-	-	22,749	-	-	-	-	2,000	27,412
Depreciation	3,641	-	-	-	-	-	-	-	-	3,641
Donations	1,000	-	-	-	-	-	-	-	-	1,000
Dues and subscriptions	4,464	-	-	-	1,798	-	-	108	-	6,370
Equipment rentals	2,242	-	-	-	-	512	300	-	260	3,314
Event entertainment	-	-	-	-	-	4,800	-	-	-	4,800
Event/project supplies	230	-	3,631	-	5,251	2,249	-	-	174	11,535
Event services	675	10,500	11,687	-	3,280	555	-	1,575	6,810	35,082
Fireworks	-	-	-	-	-	-	26,960	-	-	26,960
Holiday decorations	-	-	2,456	-	-	-	-	-	-	2,456
Landscaping	-	-	-	10,600	-	-	-	-	-	10,600
Insurance	13,411	-	905	-	28	2,490	911	29	1,301	19,075
Interest expense	756	-	-	-	-	-	-	-	-	756
Licenses and permits	1,074	-	-	-	-	2,565	3,157	150	2,167	9,113
Management fees	-	-	-	-	-	42,648	-	-	-	42,648
Meetings expense	99	60	38	-	231	-	-	-	-	428
Miscellaneous	357	1	(1)	-	7	(273)	-	-	(1)	90
Newsletter	-	-	-	-	4,214	-	-	-	-	4,214
Office expense	2,301	-	-	-	515	270	-	-	-	3,086
Payroll expense	48,807	11,734	10,499	2,711	68,137	19,086	-	29,307	2,266	192,547
Payroll tax expense	3,556	920	1,033	-	5,319	1,546	-	2,299	178	14,851
Postage and delivery	707	(1)	-	-	3,548	-	-	-	-	4,254
Printing and reproduction	287	156	-	-	8,720	534	-	213	-	9,910
Promotion supplies	5	13	-	-	7,777	-	-	-	-	7,795
Rent	11,040	-	-	-	-	3,700	-	2,160	-	16,900
Repair and maintenance	3,141	39,121	4,098	26,140	-	5,843	-	-	-	39,222
Security	-	-	-	3,886	-	-	176	-	4,466	47,649
Telephone and communication	5,038	-	(30)	-	808	-	-	-	-	5,816
Trash removal	(27)	-	57	25,309	-	5,064	-	-	408	30,811
Utilities	1,369	-	-	758	-	-	-	-	-	2,127
Website - web cam	1,508	-	-	-	21,508	-	-	553	-	23,569
<b>Total expenses</b>	<b>\$ 126,285</b>	<b>\$ 62,809</b>	<b>\$ 39,310</b>	<b>\$ 69,601</b>	<b>\$ 168,267</b>	<b>\$ 92,189</b>	<b>\$ 31,804</b>	<b>\$ 41,021</b>	<b>\$ 20,729</b>	<b>\$ 652,015</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**OCEAN BEACH MERCHANT'S ASSOCIATION, INC.**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (83,274)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	3,641
(Increase) decrease in assets:	
Accounts receivable	14,836
Assessment receivable	(996)
Grant receivable	51,395
Prepaid insurance	2,176
Prepaid expense	8,286
Inventories	(1,095)
Increase (decrease) in liabilities:	
Accounts payable	(35,250)
Insurance payable	(9,220)
Credit card payables	(795)
Accrued compensation	3,715
Sales tax payable	(1,194)
Deferred revenue	2,209
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<u>(45,566)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds from SBA EIDL loan	150,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>150,000</u>
<b>NET INCREASE IN CASH</b>	104,434
<b>CASH AT BEGINNING OF YEAR</b>	<u>143,005</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 247,439</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

**OCEAN BEACH MERCHANT'S ASSOCIATION, INC.**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

**Note 1.        Nature of Organization**

The Ocean Beach Merchant's Association, Inc. dba Ocean Beach Mainstreet Association (the Association) is a nonprofit association that manages the Business Improvement District which is comprised of local businesses in the community of San Diego known as Ocean Beach. The purpose of the Association is to promote economic development in the community by providing a platform for area businesses to develop marketing campaigns, enhance public improvements, beautification projects, and area maintenance.

Currently, the Association administers the Ocean Beach Business Improvement District and the Ocean Beach Maintenance Assessment District funds, in partnership with the City of San Diego. These Districts include over 700 businesses and property owners in San Diego. The Association's Board of Directors includes owners of businesses or property located within the Improvement or Maintenance Assessment Districts as well as Associate members.

The Association's activities include promotion, economic vitality, organization via newsletter and directory, design, Small Business Enhancement Program Funds, and promotional materials. In addition, the Association is responsible for ensuring maintenance including litter control, illegal dump removal, graffiti control, sidewalk safety hazard monitoring, lighting service and security. Many of these services are provided under contract with Naturescape, Inc.

**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.

*Financial Statement Presentation:* To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Association 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 Association also prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections as amended by ASU 2016-14. The Organization uses the terms *Net Assets Without Donor Restrictions* and *Net Assets With Donor Restrictions* to describe the two required net asset classes.

*Net Assets Without Donor Restrictions:* net assets not subject to donor-imposed restrictions.

*Net Assets With Donor Restrictions:* net assets subject to donor-imposed stipulations.

*Cash and Cash Equivalents:* The Association has defined cash and cash equivalents as cash in banks and money market accounts with an initial maturity of three months or less.



**OCEAN BEACH MERCHANT'S ASSOCIATION**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

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

*Receivables:* Accounts, assessments, and grants receivable are stated at the amount management expects to collect from outstanding balances. The majority of the Association's receivables is comprised of agreements, or grants with the City of San Diego and is deemed fully collectable. No allowance for doubtful accounts is considered necessary.

*Inventories:* Inventories of merchandise purchased for resale are stated at lower of cost or market determined by the first-in, first-out (FIFO) method.

*Property and Equipment:* The cost of the Association's website, computer equipment, furniture and office equipment, and leasehold improvements greater than \$500 are capitalized and depreciated using the straight-line method over 3, 5, and 7 years, respectively. Expenditures for major renewals and betterments that extend the useful lives of property are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense totaled \$3,641 for the year ended June 30, 2020.

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

*Revenue:* The Association provides several events for the community which helps to further the Association's purpose by increasing the visibility of the Ocean Beach Community throughout the San Diego region. Special events include a weekly Farmers Market, an annual Street Fair, and several other events.

Additional revenues are received from grants and agreements with the City and County of San Diego, including an agreement with the Landscape Maintenance District of the City of San Diego whereby the Association provides sidewalk cleaning, trash collection, other landscape maintenance and repair, graffiti control, and lighting services within the Newport Avenue Maintenance Assessment District.

As a Business Improvement District, the Association receives some of its revenue from assessments levied on businesses within the district pursuant to the Parking and Business Improvement Area Law of 1979.

While the Association solicits funds in the form of donations and sponsorships from local business, the Association does not conduct fund raising campaigns aimed at the general public.

*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 Association. A number of unpaid volunteers have made contributions of their time to develop and support the Association's programs. The value of the contributed time is not reflected in the financial statements, as it is not susceptible to objective measurement or valuation. No donated services were recorded as of June 30, 2020.



**OCEAN BEACH MERCHANT'S ASSOCIATION**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

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

*Functional Allocation of Expenses:* Expenses consist of costs related to promoting economic development in the community by developing marketing campaigns, enhancing public improvements, performing beautification projects, providing area maintenance, and event production. These costs have been summarized on a functional basis in the Statement of Functional Expenses. Costs are directly charged to the functions they benefit. Facility related expenses are minimal and as such the Association does not allocate facility related expenses.

*Income Taxes:* The Association is exempt from income taxes under Section 501(c) (6) of the Internal Revenue Code and Section 23701(e) of the California Revenue and Taxation Code. In addition, the Internal Revenue Service determined that the Association is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Association may be subject to income taxes on any unrelated business income over \$1,000. There was no unrelated business income for the year ended June 30, 2020.

The Association follows the guidance of ASC 740, *Accounting for Income Taxes*, related to tax positions taken or expected to be taken on a tax return. All significant tax positions have been considered by management. It has been determined that is more likely than not that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded. The Association's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

*Fair Value Measurements and Financial Instruments*

The Fair Value Measurements and Disclosure Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The Fair Value Measurement and Disclosure Topic establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. These three general valuation techniques that may be used to measure fair value are as follows: Market approach (Level 1) – which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades, or other sources; Cost approach (Level 2) – which is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and the Income approach (Level 3) – which uses valuation techniques to convert future amounts to a single present amount based on current market expectations about future amounts (including present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The carrying value of cash, accounts receivable, assessments receivable, grants receivable, prepaid expenses, accrued liabilities, and deferred revenue are stated at carrying cost as of June 30, 2020, which approximates fair value due to the relatively short maturity of these instruments.

**OCEAN BEACH MERCHANT'S ASSOCIATION**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

**Note 3. Accounts, Assessments, and Grant Receivable**

The balance in accounts receivable as of June 30, 2020, is as follows:

Membership income receivable	\$ <u>903</u>
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The balance in assessment receivable of \$13,550 as of June 30, 2020, represents unpaid claims submitted to the City of San Diego under the Landscape and Maintenance District and the Business Improvement District agreements.

The balance in grant receivable of \$9,000 as of June 30, 2020, represents unpaid claims submitted to the City of San Diego under the Community Projects, Programs, and Services (CPPS) program.

**Note 4. Compliance with Agreements with the City of San Diego for the year ended June 30, 2020**

Business Improvement District (BID)

The Association has entered into a Management Agreement with the City of San Diego (City) whereby the Association is to provide management of the Ocean Beach Business Improvement District (OBBID) in return for reimbursement of costs associated with the management of OBBID. Cost shall not exceed the budget amount, calculated as a percentage of total assessments collected from businesses located within the OBBID. The City has required specific compliance to be maintained as terms of the agreement. In the event of non-compliance, the BID funds previously reimbursed may be required to be returned and the agreement may not be renewed for future years.

The Association is in compliance with the terms of the agreement.

STATEMENT OF EXPENDITURES FOR THE CITY OF SAN DIEGO BID AGREEMENT  
FOR THE YEAR ENDED JUNE 30, 2020

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Carryover from prior year	\$ 922	\$ 1,000	\$ (78)
Assessments collected	23,136	26,000	(2,864)
Expenses: promotion/website	<u>(24,058)</u>	<u>(27,000)</u>	<u>2,942</u>
Change in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



**OCEAN BEACH MERCHANT'S ASSOCIATION**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

**Note 4. Compliance with Agreements with the City of San Diego for the year ended June 30, 2020, continued**

Maintenance Assessment District (MAD)

The Association has entered into a Maintenance Agreement with the City of San Diego (City) whereby the Association is to provide administration of maintenance services to the Newport Avenue Maintenance Assessment District (District) in return for reimbursement of funds by the City. The City has required specific compliance to be maintained as terms of the agreement. In the event of non-compliance, the MAD funds previously reimbursed may be required to be returned and the agreement may not be renewed for future years.

For the year ended June 30, 2020, the Association incurred \$69,601 of expenses for contract services (maintenance, landscaping, and trash services) and utilities and submitted \$69,601 for reimbursement under the terms of the agreement.

The Association is in compliance with the terms of the agreement.

**Note 5. Accrued Compensation**

The Association calculates accrued compensation based on vested but unused vacation for each employee at their current rate of pay. For the year ended June 30, 2020, accrued compensation was \$10,294.

**Note 6. Concentrations**

For the year ended June 30, 2020, agreements and grants from the City of San Diego make up approximately 29% of the monies received by the Association.

Agreements and grants from the City of San Diego make up approximately 96% of balances in receivable accounts as of June 30, 2020.

**Note 7. Related Party Transactions**

The Association uses OB Services, a maintenance company owned by a former employee of the Association, for trash removal and sidewalk cleaning services. The total amount paid for the year ended June 30, 2020 is \$9,665.

The Association uses Sign Diego, a print company owned by a board member of the Association, for printing banners and miscellaneous signage. The total amount paid for the year ended June 30, 2020, is \$7,943.



**OCEAN BEACH MERCHANT'S ASSOCIATION**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

**Note 8.        Commitments and Contingencies**

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 9.        Operating Lease Obligation**

The Association leases office space at 1868 Bacon Street, San Diego, California, at a monthly rate of \$925. The Association entered into a lease agreement to occupy the property for a term commencing October 1, 2014 through October 1, 2019. This lease was renewed for another five year period commencing October 1, 2019 and ending on October 1, 2024. Total lease payments under this lease were \$11,040 for the year ended June 30, 2020. Future minimum lease payments, by year and in the aggregate, under this lease consist of the following:

<u>Year ending June 30;</u>	
2021	\$ 11,280
2022	11,520
2023	11,760
2024	12,000
2025	<u>3,015</u>
	<u>\$ 49,575</u>

**Note 10.      Long Term Liabilities**

Long term liabilities at June 30, 2020, consist of a \$150,000 loan payable to the U.S. Small Business Administration, secured by the assets of the Association, monthly payments of \$641 begin April 2021, including principal and interest at 2.75%, due April 28, 2050. Maturities for long term liabilities are as follows:

<u>Year ending June 30,</u>	
2021	\$ 595
2022	3,629
2023	3,730
2024	3,834
2025	3,941
thereafter	<u>134,271</u>
	<u>\$ 150,000</u>

**OCEAN BEACH MERCHANT'S ASSOCIATION**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

**Note 11.      Liquidity and Availability of Financial Assets**

The Association's working capital and cash flows are relatively consistent throughout the year due to monthly assessments from BID and MAD programs, and a weekly Farmers Market. For months in which special events occur the Association receives grants, contributions and sponsorships for the events corresponding to the timing of the event. To manage liquidity the Association maintains adequate cash balances.

The following reflects the Association's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use within one year of the Statement of Financial Position date because of contractual, donor-imposed restrictions or internal designations.

	<u>06/30/2020</u>
Cash	\$ 247,439
Accounts receivable	903
Assessments receivable	13,550
Grant receivable	<u>9,000</u>
Total Financial Assets	270,892
Less those unavailable for general expenditures within one year due to:	<u>none</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 270,892</u>

**Note 12.      Subsequent Events**

The management of the Association have reviewed the results of operations and evaluated subsequent events for the period of time from its year end June 30, 2020 through September 24, 2020, 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.

**COVID-19**

Since June 30, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

**OCEAN BEACH MERCHANT'S ASSOCIATION**  
**dba OCEAN BEACH MAINSTREET ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Note 12.      Subsequent Events, continued**

**COVID-19, continued:**

On March 11, 2020, the economy shut down in an effort to stop COVID-19 from spreading. The Association suffered financial losses and specific disruptions because of the pandemic which include cancelling the OB Street Fair & Chili Cook-Off in June 2020, losing over three months of the OB Farmers Market, and cessation of networking meetings with the membership. The Association had mitigated the effects of the pandemic by furloughing four employees for over 3 months, reducing payroll hours from 25% to 40% for the remaining employees (which will continue on into FY21), reduction of non-essential expenses, obtaining financing (SBA EIDL loan – see Note 10), and applying for grants. This helped minimize the Association's losses during the first 4-6 months of the pandemic.

The Association received a secured disaster loan from the U.S. Small Business Administration to help the Association through the COVID-19 pandemic. On May 28, 2020, the Association received a promissory note in the amount of \$150,000 with a fixed annual interest rate of 2.75% and has a maturity date of April 28, 2050. No payments will be due on the note for twelve months from the date of the note; however, interest continues to accrue during the deferment period. Payments of principal and interest are then due monthly thereafter.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Association for future periods.