BONK, CUSHMAN, EAGLE & GARCIA
CERTIFIED PUBLIC ACCOUNTANTS

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

REVIEWED FINANCIAL STATEMENTS
JUNE 30, 2026

TABLE OF CONTENTS

	Page
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6-12

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Ocean Beach Merchant's Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2026, and 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 entity 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 Ocean Beach Merchant's 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.

Bonk, Cushman, Eagle & Garcia

August 19, 2026

OCEAN BEACH MERCHANT'S ASSOCIATION, INC.
dba OCEAN BEACH MAINSTREET ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2026

ASSETS

CURRENT ASSETS:		
Cash	$	487,221
Accounts receivable		25,341
Assessment receivable		25,147
Grant receivable		2,258
Prepaid insurance		4,871
Inventories		31,990
Total current assets		576,828
PROPERTY AND EQUIPMENT (at cost):		
Equipment and furniture		44,478
Computer equipment		8,009
Leasehold improvements		7,510
Website		7,250
Accumulated depreciation		(50,516)
Total property and equipment		16,731
OTHER ASSETS:		
Operating lease right-of-use asset (Note 9)		127,319
Security deposit		800
Total other assets		128,119
TOTAL ASSETS	$	721,678

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	$	52,134
Credit card payable		2,772
Deferred revenue		1,650
Payroll liabilities		962
Accrued compensation (Note 6)		13,057
Sales tax payable		1,563
Operating lease liability, current portion (Note 9)		37,914
SBA EIDL loan, current portion (Note 10)		4,163
Total current liabilities		114,215
LONG TERM LIABILITIES:		
Operating lease liability, net of current portion (Note 9)		89,405
SBA EIDL loan (Note 10)		130,671
Total long term liabilities		220,076
TOTAL LIABILITIES	$	334,291
NET ASSETS:		
Net assets without donor restriction, non-designated	$	387,387
Total net assets		387,387
TOTAL LIABILITIES AND NET ASSETS	$	721,678

See accompanying notes and independent accountant's review report

OCEAN BEACH MERCHANT'S ASSOCIATION, INC.
dba OCEAN BEACH MAINSTREET ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2026

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND OTHER SUPPORT:			
Assessment income - BID	$ 22,012	$ -	$ 22,012
Grant income	65,094	-	65,094
Maintenance Assessment District Agreement	105,994	-	105,994
Contributions	54,564	-	54,564
Special events income	817,093	-	817,093
Membership dues	7,230	-	7,230
Promotional items income	46,338	-	46,338
Interest income	16,004	-	16,004
Total revenues and other support	1,134,329	-	1,134,329
EXPENSES:			
Organization	210,495	-	210,495
Clean & Safe	111,078	-	111,078
Maintenance Assessment District	105,994	-	105,994
Marketing	208,402	-	208,402
Farmer's Market	206,000	-	206,000
Other Events	24,473	-	24,473
Street Fair	243,604	-	243,604
Oktoberfest	62,665	-	62,665
Total expenses	1,172,711	-	1,172,711
Change in net assets	(38,382)	-	(38,382)
NET ASSETS - BEGINNING	425,769	-	425,769
NET ASSETS - ENDING	$ 387,387	$ -	$ 387,387

See accompanying notes and independent accountant's review report

OCEAN BEACH MERCHANT'S ASSOCIATION, INC.
dba OCEAN BEACH MAINSTREET ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2026

	Organization	Clean & Safe	MAD	Marketing	Farmer's Market	Other Events	Street Fair	Oktoberfest	Total
Accounting	$ 17,868	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,868
Advertising	-	-	-	16,903	-	-	2,300	-	19,203
Annual awards celebration	-	-	-	6,614	-	-	-	-	6,614
Awards and plaques	-	-	-	609	-	-	1,750	-	2,359
Bank charges/merchant fees	2,016	847	-	2,983	-	-	5,774	195	11,815
Banner program	-	5,480	-	-	-	-	3,289	-	8,769
Consultants	5,625	-	-	8,850	-	1,600	6,050	1,500	23,625
Depreciation	4,337	-	-	-	-	-	-	-	4,337
Donations	1,000	-	-	550	-	-	-	-	1,550
Dues and subscriptions	8,537	69	-	1,671	-	-	23	-	10,300
Equipment rentals	5,866	591	-	69	-	-	40,680	-	47,206
Event entertainment	-	-	-	-	-	-	8,100	-	8,100
Event/project supplies	-	1,082	-	425	1,208	-	13,292	161	16,168
Event services	-	26,713	11,900	6,217	27,142	3,363	37,599	8,495	121,429
Holiday decorations	-	294	-	-	-	-	-	-	294
Insurance	17,911	-	-	-	1,177	-	12,199	-	31,287
Interest expense	3,767	-	-	-	-	-	-	-	3,767
Licenses and permits	648	-	-	-	7,229	1,059	7,147	5,721	21,804
Management fees	-	-	-	-	116,523	-	-	-	116,523
Meetings expense	2,102	967	-	920	112	-	26	-	4,127
Miscellaneous	(2)	-	-	(18)	-	-	-	-	(20)
Office expense	4,140	45	-	229	386	-	16	-	4,816
Payroll expense	72,892	56,113	-	99,933	20,095	16,367	61,184	28,594	355,178
Payroll tax expense	5,589	4,517	-	8,115	1,651	1,319	4,779	2,304	28,274
Postage and delivery	702	-	-	-	-	-	1	-	703
Printing and reproduction	-	1,177	-	359	504	-	1,865	-	3,905
Promotion supplies	-	60	-	16,693	-	-	1,544	-	18,297
Rent	36,810	1,323	-	-	4,200	-	3,600	-	45,933
Repair and maintenance	10,367	5,820	88,200	-	400	-	-	-	104,787
Security	-	5,710	-	-	25,103	765	32,266	15,695	79,539
Telephone and communications	5,553	270	-	845	270	-	120	-	7,058
Trash removal	-	-	4,725	-	-	-	-	-	4,725
Utilities	1,317	-	1,169	-	-	-	-	-	2,486
Website - web cam	3,450	-	-	36,435	-	-	-	-	39,885
Total expenses	$ 210,495	$ 111,078	$ 105,994	$ 208,402	$ 206,000	$ 24,473	$ 243,604	$ 62,665	$ 1,172,711

See accompanying notes and independent accountant's review report

OCEAN BEACH MERCHANT'S ASSOCIATION, INC.
dba OCEAN BEACH MAINSTREET ASSOCIATION
STATEMENT OF CASH FLOWS
JUNE 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(38,382)
Adjustments to reconcile change in net assets		
to net cash (used) by operating activities:		
Amortization of operating lease right-of-use asset		36,810
Depreciation		4,337
(Increase) decrease in assets:		
Accounts receivable		6,157
Assessment receivable		(25,147)
Grant receivable		1,470
Prepaid insurance		(205)
Inventories		(12,565)
Increase (decrease) in liabilities:		
Accounts payable		(10,903)
Credit card payables		(5,822)
Deferred revenue		(11,583)
Payroll liabilities		(2,009)
Accrued compensation		619
Sales tax payable		141
Operating lease liability		(36,810)
NET CASH (USED) BY OPERATING ACTIVITIES		(93,892)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal paid on SBA EIDL loan		(3,925)
NET CASH (USED) BY FINANCING ACTIVITIES		(3,925)
NET (DECREASE) IN CASH		(97,817)
CASH AT BEGINNING OF YEAR		585,038
CASH AT END OF YEAR	$	487,221

See accompanying notes and independent accountant's review report

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 Newport Avenue Maintenance Assessment District funds, overseen by 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 committees include promotion, economic vitality, design, and organization. Association members receive monthly newsletters, an annual report, and participation in the online business directory. Various promotional materials are available to members and the general public as well as visitors. In addition, the Association oversees the maintenance including landscaping, litter control, illegal dump removal, graffiti control, sidewalk safety hazard monitoring, and lighting services for Newport Avenue mostly through the Maintenance Assessment District. 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 have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation: The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

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 without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

Net assets with donor restrictions: net assets with donor-imposed restrictions are the net assets that are contributions subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by the passage of time or can be fulfilled and removed by action of the Association pursuant to these stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Note 2. Summary of Significant Accounting Policies, continued

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

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 $4,337 for the year ended June 30, 2026.

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. The Association also sells Ocean Beach promotional items on the website which highlight the best aspects of Ocean Beach.

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. Funds from the Friends of Ocean Beach campaign through The Peninsula Alliance, a 501(c)(3), are received and used for additional cleaning, trash pick-up, maintenance, holiday decorations and street banners for the Ocean Beach commercial districts.

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, 2026.

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 from. 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, 2026.

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. Management has considered all significant tax positions. It has been determined that it 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, accrued liabilities, and deferred revenue are stated at carrying cost as of June 30, 2026, which approximates fair value due to the relatively short maturity of these instruments.

Note 3. Accounts and Grants Receivable

The balance in accounts receivable as of June 30, 2026, is as follows:

Membership income receivable	$ 25,341

The balance in grants receivable of $2,258 as of June 30, 2026, represents unpaid claims submitted to the City of San Diego.

Note 4. 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 5. Compliance with Agreements with the City of San Diego for the year ended June 30, 2026

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, 2026

	ACTUAL	BUDGET	VARIANCE
Carryover from prior year	$ -	$ -	$ -
Assessments collected	22,012	23,724	(1,712)
Expenses: promotion/website	(22,012)	(23,724)	(1,712)
Change in fund balance	$ 0	$ 0	$ 0

Note 5. Compliance with Agreements with the City of San Diego for the year ended June 30, 2026, 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, 2026, the Association incurred $105,994 of expenses for contract services (maintenance, landscaping, and trash services) and utilities and submitted $105,994 for reimbursement under the terms of the agreement.

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

Note 6. 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, 2026, accrued compensation was $13,057.

Note 7. Concentrations

For the year ended June 30, 2026, agreements and grants from the City of San Diego make up approximately 16% of the monies received by the Association.

Agreements and grants from the City of San Diego make up approximately 51% of balances in receivable accounts as of June 30, 2026.

The Association maintains cash in bank deposit and money market accounts. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to $250,000. The Association has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash.

Note 8. Related Party Transactions

The Association uses AJ Knox, an independent contractor who is related to the Executive Director of the Association, for design services. The total amount paid in the year ended June 30, 2026, was $1,150.

Note 9. Operating Lease Obligation

The Association leases office space at 1868 Bacon Street, San Diego, California, currently at a monthly rate of $3,090. The Association renewed this lease for a five-year period commencing October 1, 2024 and ending on September 30, 2029, with annual 3% increases in base rent on October 1. Total lease payments under this lease were $36,810 for the year ending June 30, 2026.

Future minimum lease payments, by year and in the aggregate, under this lease consist of the following:

Year ending June 30,	
2027	$ 37,914
2028	39,052
2029	40,223
2030	10,130
	$ 127,319

The following summarizes cash flow information related to leases for the year ended June 30, 2026:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 36,810
Lease assets obtained in exchange for operating lease obligations:	$ 191,129

Note 10. Long Term Liabilities – SBA EIDL Loan

Long term liabilities on June 30, 2026 include a $134,834 loan payable to the U.S. Small Business Administration (SBA), secured by the assets of the Association, monthly payments of $641 began June 2021, including principal and interest at 2.75%, due May 28, 2050.

Principal maturities for long-term liabilities are as follows:

Year ending June 30,	
2027	4,163
2028	4,279
2029	4,398
2030	4,521
2031	4,646
thereafter	112,827
	$ 134,834

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.

	06/30/2026
Cash	$ 476,846
Accounts receivable	25,341
Assessment receivable	25,147
Grant receivable	2,258
Total Financial Assets	529,592
Less those unavailable for general expenditures within one year due to:	none
Financial assets available to meet cash needs for general expenditures within one year	$ 529,592

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, 2026 through August 19, 2026, 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.