

**THE CAPITOL HILL BUSINESS  
IMPROVEMENT DISTRICT, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020 AND 2019**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Capitol Hill Business Improvement District, Inc.

We have audited the accompanying financial statements of The Capitol Hill Business Improvement District, Inc., which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Capitol Hill Business Improvement District, Inc. as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Board of Directors  
The Capitol Hill Business Improvement District, Inc.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the accompanying financial statements have been prepared assuming that the Organization will be able, through management efforts, available legal options, property sales, and the passage of time, to collect all assessments receivable recorded as of September 30, 2020 and 2019. The Organization believes that all assessments receivable will either be received as due or will be collected via future property sales, tax sales, and liens. As such, it is likely that not all assessments receivable recorded as of September 30, 2020 and 2019 will be received in the near future, but it is unknown as to the length of time each assessment receivable may require before it is paid by the property owner. The accompanying financial statements do not include any adjustments to record an allowance for uncollectible assessments receivable or to allocate any portion of the assessments receivable to long-term assets. Our opinion is not modified with respect to this matter.

*Katz, Abosch, Windesheim, Gershman & Freedman, P.A.*

Timonium, Maryland  
February 10, 2021

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2020 AND 2019**

| <b><u>ASSETS</u></b>                         |                         |                         |
|--|-------------------------|-------------------------|
|  | <b><u>2020</u></b>      | <b><u>2019</u></b>      |
| <b><u>CURRENT ASSETS</u></b>                 |                         |                         |
| Cash   | \$ 376,526              | \$ 277,596              |
| Assessments and contracts receivable         | 487,704                 | 537,609                 |
| Prepaid expenses and other current assets    | <u>13,581</u>           | <u>24,274</u>           |
| <br>TOTAL CURRENT ASSETS                     | <br>877,811             | <br>839,479             |
| <br><b><u>FIXED ASSETS - NET</u></b>         | <br>166,260             | <br>174,564             |
| <br><b><u>OTHER ASSETS</u></b>               |                         |                         |
| Deposits                                     | <u>3,500</u>            | <u>3,500</u>            |
| <br>TOTAL ASSETS                             | <br>\$ <u>1,047,571</u> | <br>\$ <u>1,017,543</u> |
| <br><b><u>LIABILITIES AND NET ASSETS</u></b> |                         |                         |
| <br><b><u>CURRENT LIABILITIES</u></b>        |                         |                         |
| Accounts payable                             | \$ 25,682               | \$ 20,629               |
| Accrued expenses                             | 53,476                  | 39,121                  |
| Unearned assessment revenue                  | 458,271                 | 490,928                 |
| Current portion of long-term debt            | <u>31,388</u>           | <u>31,894</u>           |
| <br>TOTAL CURRENT LIABILITIES                | <br>568,817             | <br>582,572             |
| <br><b><u>LONG-TERM LIABILITIES</u></b>      |                         |                         |
| Debt   | <u>45,168</u>           | <u>39,010</u>           |
| <br>TOTAL LIABILITIES                        | <br>613,985             | <br>621,582             |
| <br><b><u>NET ASSETS</u></b>                 |                         |                         |
| Without donor restrictions                   | <u>433,586</u>          | <u>395,961</u>          |
| <br>TOTAL LIABILITIES AND NET ASSETS         | <br>\$ <u>1,047,571</u> | <br>\$ <u>1,017,543</u> |

The Accompanying Notes are an Integral Part of the Financial Statements

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

|   | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
| <b><u>REVENUES, GAINS AND OTHER SUPPORT</u></b> |                |                |
| Assessment revenue                              | \$ 1,580,266   | \$ 1,555,222   |
| Contracts income                                | 2,125,115      | 1,942,827      |
| Contributions and grants                        | 40,132         | 41,146         |
| Penalties and interest                          | 40,662         | 63,052         |
| <br>TOTAL REVENUES, GAINS AND OTHER SUPPORT     | <br>3,786,175  | <br>3,602,247  |
| <b><u>EXPENSES</u></b>                          |                |                |
| Functional expenses:                            |                |                |
| Program services                                | 3,257,348      | 3,214,247      |
| Management and general                          | 491,202        | 376,489        |
| <br>TOTAL EXPENSES                              | <br>3,748,550  | <br>3,590,736  |
| <br>Change in Net Assets                        | <br>37,625     | <br>11,511     |
| <br>Net Assets - Beginning of the Year          | <br>395,961    | <br>384,450    |
| <br>Net Assets - End of the Year                | <br>\$ 433,586 | <br>\$ 395,961 |

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |                   |                   |
| Change in net assets  | \$ 37,625         | \$ 11,511         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation  | 59,316            | 74,190            |
| Changes in operating assets and liabilities:  |                   |                   |
| Assessments and contracts receivable  | 49,905            | (111,999)         |
| Prepaid expenses and other current assets   | 10,693            | 10,757            |
| Accounts payable  | 5,053             | (5,574)           |
| Accrued expenses  | 14,355            | 2,557             |
| Unearned assessment revenue   | <u>(32,657)</u>   | <u>90,212</u>     |
| Net Cash Provided by Operating Activities   | <u>144,290</u>    | <u>71,654</u>     |
| <br><b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                      |                   |                   |
| Purchases of fixed assets   | <u>(17,921)</u>   | <u>(130,239)</u>  |
| Net Cash Used in Investing Activities   | <u>(17,921)</u>   | <u>(130,239)</u>  |
| <br><b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>                                      |                   |                   |
| Principal payments on debt  | <u>(27,439)</u>   | <u>(26,152)</u>   |
| Net Cash Used in Financing Activities   | <u>(27,439)</u>   | <u>(26,152)</u>   |
| NET INCREASE (DECREASE) IN CASH   | 98,930            | (84,737)          |
| CASH AT THE BEGINNING OF THE YEAR   | <u>277,596</u>    | <u>362,333</u>    |
| CASH AT THE END OF THE YEAR   | <u>\$ 376,526</u> | <u>\$ 277,596</u> |
| <br><b>Supplemental Schedule of Noncash Investing and Financing Activities:</b>             |                   |                   |
| Acquisition of vehicles with debt proceeds  | \$ 33,019         | \$ 0              |
| <br><b>Supplemental Disclosures of Cash Flow Information:</b>                               |                   |                   |
| Interest paid   | \$ 3,957          | \$ 3,878          |

The Accompanying Notes are an Integral Part of the Financial Statements

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

|                                  | <b>2020</b>                |                                   |                            |
|----------------------------------|----------------------------|-----------------------------------|----------------------------|
|                                  | <b>Program</b>             | <b>Management<br/>and General</b> | <b>Total</b>               |
| Advertising and sponsorship      | \$ 32,231                  | \$ 0                              | \$ 32,231                  |
| Care and feeding                 | 12,185                     | 0                                 | 12,185                     |
| Circulator                       | 3,919                      | 0                                 | 3,919                      |
| Depreciation                     | 55,816                     | 3,500                             | 59,316                     |
| Dues and subscriptions           | 0                          | 13,451                            | 13,451                     |
| Education                        | 0                          | 1,000                             | 1,000                      |
| Employee benefits                | 287,641                    | 8,789                             | 296,430                    |
| Gas and maintenance              | 19,325                     | 0                                 | 19,325                     |
| Holiday events & expenses        | 52,071                     | 0                                 | 52,071                     |
| Insurance                        | 66,990                     | 9,896                             | 76,886                     |
| Interest expense                 | 0                          | 3,957                             | 3,957                      |
| Landscaping                      | 34,225                     | 0                                 | 34,225                     |
| Licenses                         | 40                         | 0                                 | 40                         |
| Meetings and conventions         | 0                          | 20,127                            | 20,127                     |
| Other contractual expenses       | 11,697                     | 0                                 | 11,697                     |
| Payroll and retirement plan fees | 23,898                     | 10,900                            | 34,798                     |
| Payroll taxes                    | 179,360                    | 12,756                            | 192,116                    |
| Postage and delivery             | 0                          | 1,613                             | 1,613                      |
| Printing                         | 0                          | 63                                | 63                         |
| Professional fees                | 0                          | 78,359                            | 78,359                     |
| Rebranding/Placemaking           | 36,823                     | 0                                 | 36,823                     |
| Rent expense                     | 15,194                     | 54,432                            | 69,626                     |
| Repairs and maintenance          | 0                          | 941                               | 941                        |
| Retirement plan expense          | 25,790                     | 5,261                             | 31,051                     |
| Salaries and wages               | 2,204,273                  | 244,805                           | 2,449,078                  |
| Supplies                         | 0                          | 11,004                            | 11,004                     |
| Telephone and communications     | 17,024                     | 3,891                             | 20,915                     |
| Travel expenses                  | 0                          | 6,457                             | 6,457                      |
| Uniforms and supplies            | 150,047                    | 0                                 | 150,047                    |
| Vehicle expenses                 | 24,928                     | 0                                 | 24,928                     |
| Web site development             | 3,871                      | 0                                 | 3,871                      |
| <b>TOTAL</b>                     | <b><u>\$ 3,257,348</u></b> | <b><u>\$ 491,202</u></b>          | <b><u>\$ 3,748,550</u></b> |

The Accompanying Notes are an Integral Part of the Financial Statements



**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

|                                  | <b>2019</b>                |                                   |                            |
|----------------------------------|----------------------------|-----------------------------------|----------------------------|
|                                  | <b>Program</b>             | <b>Management<br/>and General</b> | <b>Total</b>               |
| Advertising and sponsorship      | \$ 40,513                  | \$ 0                              | \$ 40,513                  |
| Care and feeding                 | 20,042                     | 0                                 | 20,042                     |
| Circulator                       | 7,935                      | 0                                 | 7,935                      |
| Depreciation                     | 66,603                     | 7,587                             | 74,190                     |
| Dues and subscriptions           | 0                          | 8,248                             | 8,248                      |
| Education                        | 0                          | 0                                 | 0                          |
| Employee benefits                | 260,145                    | 7,911                             | 268,056                    |
| Gas and maintenance              | 17,139                     | 0                                 | 17,139                     |
| Holiday events & expenses        | 41,940                     | 0                                 | 41,940                     |
| Insurance                        | 87,199                     | 12,637                            | 99,836                     |
| Interest expense                 | 0                          | 3,878                             | 3,878                      |
| Landscaping                      | 53,031                     | 0                                 | 53,031                     |
| Licenses                         | 495                        | 0                                 | 495                        |
| Meetings and conventions         | 0                          | 18,957                            | 18,957                     |
| Other contractual expenses       | 18,681                     | 0                                 | 18,681                     |
| Payroll and retirement plan fees | 13,131                     | 10,242                            | 23,373                     |
| Payroll taxes                    | 163,248                    | 10,298                            | 173,546                    |
| Postage and delivery             | 0                          | 1,700                             | 1,700                      |
| Printing                         | 0                          | 1,937                             | 1,937                      |
| Professional fees                | 0                          | 75,188                            | 75,188                     |
| Rebranding/Placemaking           | 0                          | 0                                 | 0                          |
| Rent expense                     | 2,932                      | 57,207                            | 60,139                     |
| Repairs and maintenance          | 0                          | 3,339                             | 3,339                      |
| Retirement plan expense          | 39,006                     | 9,183                             | 48,189                     |
| Salaries and wages               | 2,193,958                  | 124,753                           | 2,318,711                  |
| Supplies                         | 0                          | 11,410                            | 11,410                     |
| Telephone and communications     | 14,475                     | 3,431                             | 17,906                     |
| Travel expenses                  | 0                          | 8,583                             | 8,583                      |
| Uniforms and supplies            | 156,756                    | 0                                 | 156,756                    |
| Vehicle expenses                 | 15,452                     | 0                                 | 15,452                     |
| Web site development             | <u>1,566</u>               | <u>0</u>                          | <u>1,566</u>               |
| <b>TOTAL</b>                     | <b><u>\$ 3,214,247</u></b> | <b><u>\$ 376,489</u></b>          | <b><u>\$ 3,590,736</u></b> |

The Accompanying Notes are an Integral Part of the Financial Statements

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of operations**

The Capitol Hill Business Improvement District, Inc. (Organization) is a 501(c)(6) non-profit organization funded primarily through an assessment on commercial property in the Capitol Hill area of the District of Columbia. The Organization operates under a five year term, which is authorized and renewed by the government of the District of Columbia. The current term extends through September 30, 2022. The Organization's activities include: security, street cleaning, maintenance, graffiti removal, streetscape improvements, marketing and promotional services and community outreach in the Capitol Hill area.

**Basis of accounting**

The financial statements are prepared on the accrual basis of accounting.

**Financial statement presentation**

The Organization follows the Not-For-Profit Entities Presentation of Financial Statements Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification which requires it to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

**Assessments and contracts receivable**

Assessments and contracts receivable are stated at the amount management expects to collect from balances outstanding at year end. Management believes that all amounts are collectible and has not provided for an allowance for doubtful accounts based upon the current status of individual assessments and contracts and the legal remedies available to collect delinquent tax assessments.

**Fixed assets and depreciation**

Fixed assets are recorded at cost if purchased and fair value if donated. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of fixed assets is depreciated using the straight-line method over their estimated useful lives.

**Income taxes**

The Organization is exempt from federal and state taxation under Section 501(c)(6) of the Internal Revenue Code.

**Assessment revenues and contracts income**

Assessment bills cover the six month periods ended March 31 and September 30. Bills are mailed in advance of such periods. Any amounts received in advance for an assessment period are recorded as unearned assessment revenue.

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Organization has entered into contracts with unrelated entities to provide services, such as hospitality, garbage removal, landscaping, snow removal, security, maintenance, and graffiti abatement. Contracts income is recorded per the terms of each contract as the income is earned. Any amounts received in advance for a contract period are recorded as unearned contracts income.

**Contributed services**

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its mission, but these services do not meet the criteria for financial reporting recognition as contributed services.

**Subsequent events**

The Organization has evaluated subsequent events through February 10, 2021, which is the date the financial statements were available to be issued.

**Use of estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from the estimates that were used.

**Functional allocation of expenses**

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across Program Services and Management and General based on allocation percentages estimated by management. These percentages were estimated by management based upon its knowledge of and experience with the Organization's operations.

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE 2: FIXED ASSETS**

The following is a summary of fixed assets at September 30, 2020 and 2019:

|                                | <u>2020</u>       | <u>2019</u>       |
|--------------------------------|-------------------|-------------------|
| Transportation equipment       | \$ 202,856        | \$ 169,837        |
| Furniture and fixtures         | 216,182           | 198,189           |
| Leasehold improvements         | <u>26,625</u>     | <u>26,625</u>     |
| Total                          | 445,663           | 394,651           |
| Less: accumulated depreciation | <u>(279,403)</u>  | <u>(220,087)</u>  |
| TOTAL FIXED ASSETS - NET       | \$ <u>166,260</u> | \$ <u>174,564</u> |

Depreciation expense for the years ended September 30, 2020 and 2019, amounted to \$59,316 and \$74,190, respectively.

**NOTE 3: LINE OF CREDIT**

The Organization has a revolving line of credit with The National Capital Bank of Washington, which is subject to renewal on an annual basis. The current expiration date is May 28, 2021. Advances under the line of credit facility bear interest at the Wall Street Journal prime rate plus 1% (with an interest rate floor of 6.00%) and interest payments are due monthly. The maximum amount which may be advanced is \$300,000. There were no amounts outstanding as of September 30, 2020 and 2019. Borrowings on the line of credit are secured by all of the Organization's business assets.

Interest expense, including interest on debt described in Note 4, was \$3,957 and \$3,878 for the years ended September 30, 2020 and 2019, respectively. The Organization is required to maintain a minimum debt service coverage ratio.

**NOTE 4: DEBT**

During 2016, the Organization obtained a vehicle note payable from The National Capital Bank of Washington. The note bears interest at 4.75%, is payable in monthly installments (principal and interest) of \$665 and matures in April 2021. The note is secured by the vehicle. The outstanding balance of the vehicle note payable as of September 30, 2020 and 2019 was \$4,596 and \$12,173, respectively.

During 2017, the Organization obtained a vehicle note payable from The National Capital Bank of Washington. The note bears interest at 4.50%, is payable in monthly installments (principal and interest) of \$1,125 and matures in December 2021. The note is secured by the vehicle. The outstanding balance of the vehicle note payable as of September 30, 2020 and 2019 was \$16,346 and \$28,894, respectively.

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE 4: DEBT (Continued)**

During 2018, the Organization obtained a vehicle note payable from The National Capital Bank of Washington. The note bears interest at 5.00%, is payable in monthly installments (principal and interest) of \$716 and matures in July 2023. The note is secured by the vehicle. The outstanding balance of the vehicle note payable as of September 30, 2020 and 2019 was \$22,595 and \$29,837, respectively.

During 2020, the Organization obtained a vehicle note payable from The National Capital Bank of Washington. The note bears interest at 3.75%, is payable in monthly installments (principal and interest) of \$605 and matures in September 2025. The note is secured by the vehicle. The outstanding balance of the vehicle note payable as of September 30, 2020 was \$33,019.

As of September 30, 2020, debt matures as follows:

| <u>Fiscal Year</u>    |                  |
|-----------------------|------------------|
| 2021                  | \$ 31,388        |
| 2022                  | 17,705           |
| 2023                  | 13,539           |
| 2024                  | 6,857            |
| 2025                  | <u>7,067</u>     |
| Total debt maturities | \$ <u>76,556</u> |

**NOTE 5: LIQUIDITY AND AVAILABILITY OF RESOURCES**

As of September 30, 2020 and 2019, there are no net assets with donor restrictions nor are there net assets designated by the Board of Directors for any specific purpose. All financial assets are available to management for general expenditure.

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Should the Organization deem necessary, to help manage unanticipated liquidity needs, the Organization has a committed line of credit as described in Note 3, which it could draw upon.

**NOTE 6: RETIREMENT PLAN**

Effective January 1, 2008, the Organization adopted a retirement plan (the Plan) to provide for contributions made under salary deferral agreements pursuant to Section 401(k) of the Internal Revenue Code. All employees shall be eligible to enter the Plan if they are not a member of a collective bargaining unit where retirement benefits have been the subject of good faith bargaining and are at least 18 years old. Participants can begin to make contributions to the Plan and receive matching contributions after completion of six months of service.

The Organization may make discretionary contributions into the Plan. Retirement plan expense was \$31,051 and \$48,189 for the years ended September 30, 2020 and 2019, respectively.

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE 7: OPERATING LEASES**

The Organization has a lease for office space which commenced in October 2016. The lease has an initial term through September 2021, and contains renewal options. Base rent is \$3,500 per month and the Organization is responsible for utilities and other operating expenses as defined in the lease. The Organization also leases a storage facility on a month-to-month basis

The minimum future rental payments required under non-cancelable operating leases having terms in excess of one year as of September 30, 2020 are as follows:

Fiscal Year

|      |                  |
|------|------------------|
| 2021 | \$ <u>42,000</u> |
|------|------------------|

Rent expense for the years ended September 30, 2020 and 2019 was \$69,626 and \$60,139, respectively.

**NOTE 8: SIGNIFICANT CONCENTRATIONS**

The Organization received approximately 37% and 35% of its 2020 and 2019 revenues and support, respectively, from a contract with the Capitol Riverfront Business Improvement District. The Organization included approximately \$42,000 and \$112,000 within assessments and contracts receivable from this contract as of September 30, 2020 and 2019, respectively.

The Organization maintains cash balances which exceed federally insured limits at times during the years.

**NOTE 9: CONTINGENCIES**

In late 2019, COVID-19 was first detected in Wuhan, China. In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. These measures have adversely affected workforces, customers, consumer sentiment, economies and financial markets.

The extent to which COVID-19 impacts the Organization's business, operations and financial results will depend upon numerous evolving factors that the Organization is not able to predict at this time, including among others: property owner initiated changes in behavior, actions that have been and continue to be taken by governmental entities, the workforce may be negatively impacted disrupting the ability to serve property owners and any new information that may emerge concerning the severity, and duration of COVID-19.

Although the Organization cannot estimate the length or gravity of the impact of COVID-19 at this time, if the pandemic continues, it may have a material adverse effect on the Organization's results of future operations, financial position and liquidity in fiscal year 2021.

**THE CAPITOL HILL BUSINESS IMPROVEMENT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE 10: NEW ACCOUNTING PRONOUNCEMENTS**

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. This update revises previous revenue recognition standards to improve guidance on revenue recognition requirements. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires certain enhanced disclosures. The new standard will be effective for the Organization beginning October 1, 2020. The adoption of this standard is not expected to have a material impact on the financial statements of the Organization.

In March 2016, the FASB issued Accounting Standards Update 2016-02, Leases, which requires all leases that have a term of more than 12 months to be recognized as assets and liabilities on the balance sheet at lease inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for the Organization beginning October 1, 2022.