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DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2019

MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Dupont Circle Business Improvement District, Inc.
Washington, DC

We have audited the accompanying financial statements of the Dupont Circle Business Improvement District, Inc., which comprise the statement of financial position as of September 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider 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, 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 Dupont Circle Business Improvement District, Inc. as of September 30, 2019 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.

Fairfax, Virginia
February 27, 2020

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2019

ASSETS

CURRENT ASSETS

| | |
|--------------------------------|---------------------|
| Cash and cash equivalents | \$ 912,972 |
| BID tax assessments receivable | <u>251,724</u> |
| Total Current Assets | <u>\$ 1,164,696</u> |

OTHER ASSETS

| | |
|-----------------------------|-----------------|
| Property and equipment, net | <u>\$ 4,198</u> |
| Total Other Assets | <u>\$ 4,198</u> |

TOTAL ASSETS

\$ 1,168,894

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------------------|-------------------|
| Accounts payable and accrued expenses | \$ 51,591 |
| Deferred BID tax assessments | <u>577,385</u> |
| Total Current Liabilities | <u>\$ 628,976</u> |
| Total Liabilities | <u>\$ 628,976</u> |

NET ASSETS

| | |
|----------------------------|-------------------|
| Without donor restrictions | <u>\$ 539,918</u> |
| Total Net Assets | <u>\$ 539,918</u> |

TOTAL LIABILITIES AND NET ASSETS

\$ 1,168,894

The accompanying notes are an integral part of these financial statements.

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

REVENUE

| | |
|-----------------|---------------------|
| BID assessments | \$ 1,137,368 |
| Other revenue | <u>31,372</u> |
| Total Revenue | <u>\$ 1,168,740</u> |

EXPENSES

| | |
|---|-------------------|
| Functional expenses: | |
| Program services | |
| Cleaning, maintenance and safety programs | \$ 166,375 |
| Marketing and economic development programs | 208,792 |
| Management and general | <u>199,345</u> |
| Total Expenses | <u>\$ 574,512</u> |

| | |
|------------------------------------|--------------------------|
| CHANGE IN NET ASSETS | \$ 594,228 |
| NET ASSETS - BEGINNING OF THE YEAR | <u>(54,310)</u> |
| NET ASSETS - END OF THE YEAR | <u><u>\$ 539,918</u></u> |

The accompanying notes are an integral part of these financial statements.

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

CASH FLOWS OPERATING ACTIVITIES

| | |
|---|-------------------|
| Change in net assets | \$ 594,228 |
| Adjustments to reconcile change in net assets to net cash operating activities: | |
| Depreciation | 582 |
| Decrease (increase) in: | |
| BID Tax assessment receivable | 230,745 |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | 47,479 |
| Deferred BID tax assessments | <u>1,516</u> |
| Net Cash Operating Activities | <u>\$ 874,550</u> |

CASH FLOWS INVESTING ACTIVITIES

| | |
|-------------------------------|-------------------|
| | <u>\$ (4,780)</u> |
| Net Cash Investing Activities | <u>\$ (4,780)</u> |

CASH FLOWS FINANCING ACTIVITIES

| | |
|-------------------------------|--------------------|
| | <u>\$ (80,000)</u> |
| Net Cash Financing Activities | <u>\$ (80,000)</u> |

| | |
|---|--------------------------|
| NET CHANGE IN CASH AND CASH EQUIVALENTS | \$ 789,770 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>123,202</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 912,972</u></u> |

SUPPLEMENTAL DISCLOSURES

| | |
|--|----------------------|
| | <u><u>\$ 831</u></u> |
|--|----------------------|

The accompanying notes are an integral part of these financial statements.

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Note 1. Summary of Significant Accounting Policies

Nature of Operations

The Dupont Circle Business Improvement District, Inc. (the Organization) was formed by Mayoral Order as a business improvement district BID under the District of Columbia Business Improvement District Act. The Organization is registered as a 501(c)(6) membership organization under the Internal Revenue Code.

The mission of the Organization is to provide a range of management services that will assist in creating a vibrant and dynamic place intended to help stimulate visitation and grow businesses. The Organization focuses on ensuring that the area is clean, safe, and friendly, and also that there is attractive, well-maintained and inviting public space, including parks and streetscapes. The Organization is also the keeper of the Dupont Circle brand and ensures communication about the amenities and benefits of shopping, working, or investing in the area – communicated through a variety of media channels. The ultimate goal of the Organization, working in partnership with property owners, stakeholders, National Park Services, and the DC government is to increase economic development and well-being in the area.

The Organization covers an area of approximately 11 linear blocks in the Dupont Circle commercial district. It encompasses an area including and radiating in Dupont Circle going north along Connecticut Avenue from the 1400 block to the 1900 block, west along P Street to 22nd Street, and from the Circle along Massachusetts Avenue until Florida Avenue.

Financial Statement Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial positions and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in pursuing the objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization does not have funds with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are classified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Changes in Net Assets.

During the year ended September 30, 2019, there were no net assets with donor restrictions.

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

The Organization maintains its cash in financial institutions located in the Washington, DC metropolitan area. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. From time to time the balances may exceed the amounts insured by the FDIC.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit with commercial banks and highly liquid investments with original maturities of less than three months.

BID Tax Assessments Receivable and Allowance for Doubtful Accounts

BID tax assessments receivable represent amounts which have been billed but not yet received by the Organization. In many organizations, it is common for management to provide for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Under terms of the Business Improvement Districts Act of 1996 (BID Act), however, the Organization shall have the ability to lien all nonexempt real property within the BID for unpaid BID charges levied against the owner of the property in accordance with the BID Act. Therefore, although overdue tax assessments may not be currently collectible they will be collectible at a future date. Management has determined that no allowance for doubtful accounts is necessary as of September 30, 2019. If there are receivables overdue after one year, they will be reflected as other assets in the statement of financial position as the amounts are estimated to be collected at a future date but not within the next year.

Revenue Recognition

Accounting for Contributions

The Organization follows the Not-For-Profit Entities Revenue Recognition Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. There were no contributions during the year ended September 30, 2019.

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

BID Assessment Revenue

The Organization recognizes BID assessment revenue in the period it is earned, which is evenly spread over the term to which it relates, from the property owner. The amount recorded is based upon property valuations and a tax rate established by the District of Columbia. During 2019, the Organization received overpayments and payments in advance of the period due of certain individual BID assessments from the District of Columbia. These amounts have been included in deferred BID tax assessments in the accompanying statement of financial position.

Fixed Assets and Depreciation

Fixed assets are stated at cost and depreciated using the straight-line method over their estimated useful lives which were 5 years. Assets having a cost greater than \$500 and a useful life greater than one year are capitalized.

Income Taxes

No provision has been made for income taxes, since the Organization has been determined to be exempt from income tax pursuant to Internal Revenue Code Section 501(c)(6). There was no unrelated business taxable income during the year ended September 30, 2019.

The FASB issued FASB ASC740, *Income Taxes*, which requires changes in recognition and measurement for uncertain tax positions. The Organization has determined that it currently does not have any uncertain tax positions. If this position changes, the Organization will assess the impact of any such matters on its statement of financial position and its results of operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates.

Functional Expenses

Expenses are charged directly to program services or management and general categories based on specific identification, when determinable. A reasonable allocation between categories is made by management for costs not specifically identifiable to a particular program or management and general category.

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Note 1. Summary of Significant Accounting Policies (Concluded)

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 reduces the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. Additionally, ASU 2016-14 increases the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. The Organization adopted ASU 2016-14 for the year ended September 30, 2019.

Note 2. Liquidity and Availability

Financial assets available for general unrestricted expenditure within one year of the statement of financial position date, are comprised of the following:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 912,972 |
| BID tax assessments receivable due from DC Office of Tax and Revenue | <u>251,724</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 1,164,696</u> |

During the normal course of operations in the year ending September 30, 2020, the Organization will receive additional BID tax assessment revenue which will be available to spend on general expenditures.

Note 3. Property and Equipment

Property and equipment consisted of the following as of September 30, 2019:

| | |
|------------------------------|-----------------|
| Computers and equipment | \$ 1,267 |
| Furniture | <u>3,513</u> |
| Total Property and Equipment | \$ 4,780 |
| Accumulated depreciation | <u>(582)</u> |
| Property and Equipment, Net | <u>\$ 4,198</u> |

Note 4. Line of Credit

The Organization had a revolving line of credit facility with the National Capital Bank of Washington. Advances under the credit facility bore interest at 0.5% above the *Wall Street Journal* prime rate with a floor of 5.5%. The interest payments were due monthly. The maximum amount available under the line of credit was \$200,000. The line of credit was closed out August 13, 2019.

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Note 5. Major Programs and Services

The following are programs and services provided to members of the Organization:

Cleaning, Maintenance and Safety – The cleaning and maintenance program is designed to ensure the cleanliness and high public visibility of the Organization. The Organization provides uniformed cleaning personnel for sidewalk cleaning and removal of litter to supplement the city's trash collection. The Organization also has a safety and security committee to confer with stakeholders including city agencies on safety and security conditions in the BID area.

Marketing and Economic Development – The Organization provides marketing and economic development services aimed at increasing the knowledge and awareness of the Dupont Circle neighborhood. The Organization also works to communicate Dupont Circle's emergence as a unique downtown neighborhood through an interactive website and online newsletter distribution.

Note 6. Retirement Plan

The Organization sponsors a SIMPLE IRA plan. Employer contributions for the year ended September 30, 2019 were \$3,503.

Note 7. Significant Concentrations

The Organization receives the majority of its income from special taxes on property within the geographic confines of the BID. These improvement district and related taxes were established by the laws of the District of Columbia and are collected by the District of Columbia and remitted to the Organization. The following risks are associated with this special tax:

Every five years the Board of Directors of the Organization must develop and vote on a new five-year business plan and budget and submit it to the Mayor with a request that the Mayor issue an order extending the Business Improvement District's charter for an additional five-year term.

The special taxes paid to the Organization are based upon the land area records maintained by the DC Office of Tax and Revenue. Property owners are assessed based upon the square footage of vacant land or commercial space or on a per residential unit or hotel room basis. Accordingly, the assessed amounts are subject to change and could affect future revenue.

DUPONT CIRCLE BUSINESS IMPROVEMENT DISTRICT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Note 8. Functional Expenses

The following is a summary of expenses by both their nature and function for the year ended September 30, 2019:

| | Program Services | | Management and General | Total |
|-------------------------------|---------------------------|---------------------------|------------------------------|-------------------|
| | Cleaning/ Maint/Safety | Marketing/ Development | | |
| Clean and Safe | \$ 150,473 | \$ - | \$ - | \$ 150,473 |
| Depreciation | 10 | 104 | 468 | 582 |
| Dues and subscription | - | 11,803 | - | 11,803 |
| Insurance | - | - | 4,265 | 4,265 |
| Legal and accounting | - | - | 58,205 | 58,205 |
| Marketing activities | - | 76,352 | - | 76,352 |
| Marketing consulting | - | 38,500 | - | 38,500 |
| Meetings | - | 331 | - | 331 |
| Office expense | 130 | 1,356 | 6,112 | 7,598 |
| Other | - | - | 1,683 | 1,683 |
| Occupancy | 306 | 3,213 | 14,481 | 18,000 |
| Salaries and related benefits | 15,438 | 61,664 | 97,744 | 174,846 |
| Strategic planning | - | - | 15,475 | 15,475 |
| Website | 18 | 15,469 | 912 | 16,399 |
| Total Expenses | <u>\$ 166,375</u> | <u>\$ 208,792</u> | <u>\$ 199,345</u> | <u>\$ 574,512</u> |

Note 9. Subsequent Events

The Organization has evaluated events or transactions that occurred after September 30, 2019 through February 27, 2020, the date the financial statements were available to be issued. Management of the Organization has determined that there was no subsequent event or transaction that should be recognized or disclosed in the financial statements.