

**NATIONAL LANDING BUSINESS
IMPROVEMENT DISTRICT, INC.**

FINANCIAL STATEMENTS

Including Independent Auditors' Report

Years Ended June 30, 2021 and 2020

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Financial Statements

Years Ended June 30, 2021 and 2020

Contents

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-11

Independent Auditors' Report

To the Board of Directors of
National Landing Business Improvement District, Inc.

We have audited the accompanying financial statements of National Landing Business Improvement District, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

Auditors' 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 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 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 controls. 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 National Landing Business Improvement District, Inc. as of June 30, 2021 and 2020, 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.

Toole Katz & Roemersma, LLP

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,407,812	\$ 766,849
Accounts receivable	25,000	25,000
Prepaid expenses and other current assets	5,516	3,050
Total current assets	1,438,328	794,899
Property and Equipment, net	361,679	436,762
Total Assets	\$ 1,800,007	\$ 1,231,661
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 326,310	\$ 323,339
Accrued payroll and taxes	49,344	132,334
Total current liabilities	375,654	455,673
Deferred Rent	23,041	13,113
Total Liabilities	398,695	468,786
Total Net Assets Without Donor Restrictions	1,401,312	762,875
Total Liabilities and Net Assets	\$ 1,800,007	\$ 1,231,661

See accompanying notes.

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Statements of Activities

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Support and contract revenue		
County disbursements	\$ 4,614,017	\$ 2,692,339
Sponsorships and events	-	57,168
Interest income	39	115
Total support and contract revenue	4,614,056	2,749,622
Expenses		
Program services	3,340,282	2,166,228
Administrative and management	635,337	678,126
Total expenses	3,975,619	2,844,354
Change in Net Assets Without Donor Restrictions from Operations	638,437	(94,732)
Net Assets Without Donor Restrictions, beginning of year	762,875	857,607
Net Assets Without Donor Restrictions, end of year	\$ 1,401,312	\$ 762,875

See accompanying notes.

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Statements of Functional Expenses

Year Ended June 30, 2021

	Program Services						Total Program Expenses	Administrative & Management	Total Expenses
	Marketing	Economic Development	Community Events & Outreach	Public Realm & Beautification	Transportation				
Staff salaries	\$ 190,429	\$ 187,623	\$ 177,428	\$ 107,004	\$ 114,964	\$ 777,448	\$ 138,629	\$ 916,077	
Labor and talent	114,568	2,919	222,974	537,485	14,899	892,845	16,799	909,644	
Advertising	323,888	7,000	69,407	96,129	40,160	536,584	8,775	545,359	
Sponsorship	49,000	114,500	125,525	4,000	1,200	294,225	115	294,340	
Research	-	189,302	-	37,673	25,343	252,318	-	252,318	
Rent	32,973	32,713	31,226	17,896	19,067	133,875	30,551	164,426	
Employee benefits	30,875	30,638	27,923	16,698	17,148	123,282	28,440	151,722	
Program reserve funds	9,496	-	4,511	-	-	14,007	108,657	122,664	
Accounting and legal	1,000	1,000	6,000	-	-	8,000	101,634	109,634	
County fees	-	-	-	-	-	-	87,729	87,729	
Depreciation	16,694	17,239	16,052	7,601	8,051	65,637	15,822	81,459	
Payroll taxes	12,217	11,968	11,198	6,125	6,565	48,073	11,426	59,499	
Development	5,000	510	-	-	-	5,510	43,611	49,121	
Supplies	700	-	21,997	-	-	22,697	24,971	47,668	
Photography and video	28,499	-	13,219	4,798	394	46,910	-	46,910	
Licenses and permits	6,187	15,797	16,683	3,202	3,170	45,039	-	45,039	
Equipment rental	-	-	28,848	-	-	28,848	2,728	31,576	
Office expenses	5,249	5,138	7,227	2,901	3,072	23,587	7,585	31,172	
Website	12,738	-	-	-	216	12,954	320	13,274	
Insurance	-	-	-	-	-	-	6,912	6,912	
Cleaning and recycling	857	-	1,560	2,075	2,189	6,681	169	6,850	
Travel and conferences	528	82	1,026	73	53	1,762	464	2,226	
Total Expenses	\$ 840,898	\$ 616,429	\$ 782,804	\$ 843,660	\$ 256,491	\$ 3,340,282	\$ 635,337	\$ 3,975,619	

See accompanying notes.

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Statements of Functional Expenses - Continued

Year Ended June 30, 2020

	Program Services					Total Program Expenses	Administrative & Management	Total Expenses
	Marketing	Economic Development	Community Events & Outreach	Public Realm & Beautification	Transportation			
Staff salaries	\$ 82,003	\$ 138,607	\$ 127,104	\$ 115,856	\$ 105,976	\$ 569,546	\$ 108,157	\$ 677,703
Advertising	285,467	8,250	47,434	62,195	13,012	416,358	438	416,796
Labor and talent	59,000	-	27,932	289,415	-	376,347	13,263	389,610
Program reserve funds	128,000	-	27,721	64,490	-	220,211	45,406	265,617
Sponsorship	11,588	86,230	164,021	-	435	262,274	-	262,274
Rent	-	-	-	-	-	-	133,369	133,369
Employee benefits	-	-	-	-	-	-	118,154	118,154
Photography and video	32,834	9,760	16,518	6,903	3,287	69,302	24,465	93,767
Research	-	24,740	-	-	58,353	83,093	200	83,293
Accounting and legal	-	-	4,000	-	-	4,000	53,056	57,056
Supplies	1,472	6,568	26,960	1,120	1,182	37,302	18,081	55,383
County fees	-	-	-	-	-	-	53,083	53,083
Payroll taxes	4,475	9,562	6,084	6,252	6,067	32,440	8,606	41,046
Equipment rental	-	-	31,931	6,222	-	38,153	1,825	39,978
Depreciation	-	-	-	-	-	-	35,487	35,487
Development	-	967	10,864	-	-	11,831	12,856	24,687
Office expenses	31	-	3,141	-	-	3,172	21,175	24,347
Cleaning and recycling	-	-	13,316	2,086	636	16,038	1,298	17,336
Website	16,386	-	-	-	216	16,602	-	16,602
Licenses and permits	1,273	-	4,439	721	-	6,433	8,415	14,848
Travel and conferences	163	435	290	294	1,944	3,126	11,144	14,270
Insurance	-	-	-	-	-	-	6,874	6,874
Sales tax	-	-	-	-	-	-	2,774	2,774
Total Expenses	\$ 622,692	\$ 285,119	\$ 511,755	\$ 555,554	\$ 191,108	\$ 2,166,228	\$ 678,126	\$ 2,844,354

See accompanying notes.

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 638,437	\$ (94,732)
Reconciliation adjustments		
Depreciation	81,457	35,487
Deferred rent	9,928	13,113
Changes in:		
Accounts receivable	-	(25,000)
Prepaid expenses and other current assets	(2,466)	11,588
Accounts payable	2,971	109,387
Accrued payroll and taxes	(82,990)	78,044
Net cash provided by operating activities	647,337	127,887
Cash Flows from Investing Activities		
Purchase of property and equipment	(6,374)	(451,629)
Net Increase (Decrease) in Cash and Cash Equivalents	640,963	(323,742)
Cash and Cash Equivalents, beginning of year	\$ 766,849	\$ 1,090,591
Cash and Cash Equivalents, end of year	\$ 1,407,812	\$ 766,849

See accompanying notes.

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION

National Landing Business Improvement District, Inc. (the "Organization") is a not-for-profit trade association incorporated under the laws of the Commonwealth of Virginia in July 2006. The Organization was formed for the purpose of providing a range of services, events, and activities such as marketing and promotion, transportation, physical enhancements, cleaning and maintenance, and security to enhance the public use, safety, convenience and well-being in the Crystal City area of Arlington County, Virginia. The Organization's major source of revenue is derived from the real property assessments on commercial properties located within the business improvement district and collected by the County Board of Arlington County (the "County"). The initial charter is for a five-year term which may be extended for an additional five years upon completion of the first five-year period. In 2011, the Arlington County Board removed the Organization's sunset clause, allowing it to continue its operations in perpetuity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position 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 performing the primary 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 may be 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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Recent Accounting Pronouncements - In February 2016, the FASB issued guidance on the recognition and measurement of leases. The new guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. The new guidance also requires the recognition of lease assets and lease liabilities on the balance sheet, and the disclosure of key information about leasing arrangements. In June 2020, the effective date of the new guidance was deferred for nonpublic companies and will be effective for fiscal years beginning after December 15, 2021. Early adoption continues to be permitted. The Organization is currently evaluating the impact of adopting the new guidance on its financial position, results of operations and cash flows.

Cash and Cash Equivalents - The term cash and cash equivalents, as used in the accompanying financial statements, includes currency on hand, demand deposits with financial institutions, and short-term, highly liquid investments purchased with a maturity of three months or less. The Organization maintains cash in certain bank deposit accounts, which at times may exceed federally insured limits. Non-interest bearing accounts are aggregated with any interest bearing deposits and the combined total is guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable - Receivables are recorded at net realizable value. Management determines the collectability of accounts receivable and the need for an allowance for doubtful accounts based on historical experience and the existing economic conditions. Management has evaluated the collectability of accounts receivable and determined that no allowance for doubtful accounts is necessary at June 30, 2021 and 2020. No interest is charged on accounts receivable and accounts are written off at the point management deems them to be uncollectible, which is once such accounts have been outstanding for one year. The June 30, 2021 accounts receivable balance of \$25,000 was collected in full in August 2021.

Property and Equipment - Property and equipment are capitalized at cost and are depreciated using the straight-line method. Property and equipment are capitalized and depreciated over the estimated useful lives, which range from five to seven years. Leasehold improvements are capitalized and depreciated on a straight-line basis over the shorter of the estimated useful lives of the improvements or the terms of the respective lease. Expenditures for maintenance and repairs and minor betterments that do not extend the lives of the assets are charged to expenses as incurred. Major expenditures which extend the lives of the assets are capitalized.

Revenue Recognition - Contract revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Organization's performance obligations related to the County Service Agreement described in Note 4 are satisfied over time on a daily pro-rata basis using the input method. Support revenue is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

Income Taxes - The Organization is exempt from federal and Virginia income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code ("IRC"). However, the Organization is liable for income taxes on any unrelated business income. There was no unrelated net business taxable income for the years ended June 30, 2021 and 2020.

The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Organization applies the accounting standard to all tax positions for which the statute of limitations remained open. As a result, the Organization did not identify any material uncertain tax positions.

The Organization recognizes interest and penalties related to uncertain tax positions in management and general expenses. For the years ended June 30, 2021 and 2020, the Organization has not recognized any interest or penalties in its statements of activities. The Organization is no longer subject to federal, state, or local income tax examinations by tax authorities for the years prior to the fiscal year ended June 30, 2018. The Organization is not currently under examination by any taxing jurisdiction.

Advertising - Advertising costs are expensed as incurred and totaled \$545,359 and \$416,796 for the years ended June 30, 2021 and 2020, respectively.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

Risk Factors - In March 2020, the World Health Organization declared COVID-19 a global pandemic. The effects of COVID-19 are rapidly evolving, and the full impact and duration of the virus are unknown. The ultimate impact of COVID-19 on the Organization will depend on certain developments, including the duration and spread of the outbreak and its impact on Arlington County property assessments, all of which are uncertain and cannot be predicted at this time.

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs such as payroll, payroll taxes, and employee benefits have been allocated among the program and management and general based on level of effort. Such allocations are determined by management on an equitable basis.

Reclassification - Certain reclassifications were made to the June 30, 2020 financial statements to conform to the June 30, 2021 presentation.

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through the report date, the date the accompanying financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2021 and 2020:

	2021	2020
Computers	\$ 35,426	\$ 29,051
Furniture and fixtures	185,505	185,505
Leasehold improvements	216,220	216,220
Vehicles	42,913	42,913
	480,064	473,689
Less: accumulated depreciation	(118,385)	(36,927)
Property and equipment, net	\$ 361,679	\$ 436,762

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$81,459 and \$35,487, respectively.

NOTE 4 - SERVICE AGREEMENT

The Organization has a service agreement with the County Board of Arlington County, Virginia. The County Board is authorized to levy and collect an annual tax on real property from commercial real estate assessments in the business improvement district to fund services delegated to the Organization. The services to be provided by the Organization include marketing and promotion, transportation, physical enhancements, security, and cleaning and maintenance in accordance with the work program and budget approved annually. The service agreement provides that the County will receive an administrative fee equal to 2.0 percent of the funds collected. In addition, the agreement stipulates that the County shall hold a reserve, initially funded at up to 2.5 percent of the funds collected per fiscal year, provided that the reserve amount required is capped at 5.0 percent of the projected revenue from the fiscal year's tax levy. This fund is set aside to handle delinquencies and successful appeals of the annual real property assessments. The reserve is held and controlled by the County and, therefore, is not included in the accompanying financial statements. The excess between actual revenues collected and budgeted revenues, less actual disbursements and budgeted disbursements, will be carried forward and available for additional draws.

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 4 - SERVICE AGREEMENT - CONTINUED

The activities and balances of the County disbursements as of June 30, 2021 and 2020 are as follows:

	2021	2020
Actual revenues received by County from assessments	\$ 4,386,450	\$ 2,654,150
Administrative fee percentage	2%	2%
County fees	\$ 87,729	\$ 53,083
Actual disbursements received by the Organization	\$ 4,526,288	\$ 2,639,256
Additional draws	-	-
	4,526,288	2,639,256
County fees	87,729	53,083
County disbursements	\$ 4,614,017	\$ 2,692,339
Beginning reserve balance	\$ 32,106	\$ 68,104
Interest earned on reserve	536	2,214
Net of revenues less operating expenses	(227,575)	(38,212)
Ending reserve (deficit) balance	\$ (194,933)	\$ 32,106

NOTE 5 - RETIREMENT PLAN

The Organization maintains a defined contribution 401(k) plan (the "Plan") for substantially all of its employees. The Organization contributes \$1 for \$1 match on the first 6 percent of the employee contribution. At the discretion of the Organization, additional profit-sharing contributions may be made to the Plan at the end of each plan year. The total contributions for the years ended June 30, 2021 and 2020 were \$48,453 and \$32,364, respectively.

NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 6 - LEASE AGREEMENT

The Organization has a lease agreement with JBG Smith Properties, which has members on the Board of Directors. The lease agreement expires in 2025. Monthly base rent under the lease is \$14,160 with an annual escalation clause of 3 percent. Provided that the Organization is not in default of payments, the first monthly base rent for each of the lease years during the lease term will be waived by the lessor.

The Organization recognizes rent expense on a straight-line basis over the term of the lease. Deferred rent consists of the excess of rental expenses on a straight-line basis over the payments required by the lease. As of June 30, 2021 and 2020, the deferred rent liability was \$23,041 and \$13,113, respectively. Rent expense for the years ended June 30, 2021 and 2020 totaled \$164,426 and \$133,369, respectively.

The Organization also has a five-year equipment operating lease that expires in September 2024. Monthly payments are \$251.

Future minimum lease payments under the leases are as follows:

Year ending June 30, 2022	\$	165,650
2023		170,510
2024		174,782
2025		177,699
	\$	688,641

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of the statement of financial position consists of cash and cash equivalents of \$1,407,812 and accounts receivable of \$25,000. As part of liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations that come due. The Organization's financial assets available at June 30, 2021 are sufficient to cover all of its obligations.