

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

FINANCIAL STATEMENTS

Including Independent Auditors' Report

Years Ended June 30, 2020 and 2019

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

Financial Statements

Years Ended June 30, 2020 and 2019

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## **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 statement of financial position as of June 30, 2020, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***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 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 2020 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of National Landing Business Improvement District, Inc. (formerly known as Crystal City Business Improvement District) as of June 30, 2019, were audited by other auditors whose report dated October 2, 2019, expressed an unmodified opinion on those statements.

*Toole Katz & Roemersma, LLP*

Arlington, Virginia  
October 23, 2020

# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 766,849	\$ 1,090,591
Accounts receivable	25,000	-
Prepaid expenses and other current assets	3,050	14,638
Total current assets	794,899	1,105,229
<b>Property and Equipment, net</b>	436,762	20,620
<b>Total Assets</b>	\$ 1,231,661	\$ 1,125,849
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 323,339	\$ 213,952
Accrued payroll and taxes	132,334	54,290
Total current liabilities	455,673	268,242
<b>Deferred Rent</b>	13,113	-
<b>Total Liabilities</b>	468,786	268,242
<b>Total Net Assets Without Donor Restrictions</b>	762,875	857,607
<b>Total Liabilities and Net Assets</b>	\$ 1,231,661	\$ 1,125,849

See accompanying notes.

# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Statements of Activities

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Activities</b>		
Support and contract revenue		
County disbursements	\$ 2,692,339	\$ 2,520,350
Sponsorships and events	57,168	60,246
Interest income	115	135
Total support and contract revenue	2,749,622	2,580,731
Expenses		
Program services	2,166,228	1,798,917
Administrative and management	678,126	567,595
Total expenses	2,844,354	2,366,512
<b>Change in Net Assets Without Donor Restrictions from Operations</b>	(94,732)	214,219
<b>Net Assets Without Donor Restrictions, beginning of year</b>	857,607	643,388
<b>Net Assets Without Donor Restrictions, end of year</b>	\$ 762,875	\$ 857,607

See accompanying notes.

# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Statement of Functional Expenses

Year Ended June 30, 2020

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

See accompanying notes.

# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services			Total Program Expenses	Administrative & Management	Total Expenses
	Marketing	Physical Enhancement	Transportation			
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 99,155	\$ 99,155
Advertising	252,058	65,855	-	317,913	-	317,913
Cleaning and recycling	-	12,059	14,203	26,262	-	26,262
County fees	-	-	-	-	50,820	50,820
Depreciation	-	-	-	-	968	968
Development	-	-	-	-	117,521	117,521
Employee benefits	51,470	18,907	14,706	85,083	19,957	105,040
Equipment rental	29,100	-	-	29,100	8,084	37,184
Insurance	-	-	-	-	5,087	5,087
Labor and talent	76,660	274,923	-	351,583	-	351,583
Licenses and permits	2,933	-	-	2,933	6,288	9,221
Office expenses	-	-	-	-	22,517	22,517
Payroll taxes	19,171	7,042	5,477	31,690	7,434	39,124
Photography and video	12,713	-	-	12,713	-	12,713
Program reserve funds	7,710	13,500	-	21,210	2,854	24,064
Research	72,492	-	68,295	140,787	-	140,787
Rent	-	-	-	-	71,865	71,865
Sales tax	-	-	-	-	12,305	12,305
Sponsorship	156,240	-	-	156,240	-	156,240
Staff salaries	296,008	108,738	84,574	489,320	114,778	604,098
Supplies	125,087	-	-	125,087	9,930	135,017
Travel and conferences	-	-	-	-	18,032	18,032
Website	8,996	-	-	8,996	-	8,996
<b>Total Expenses</b>	<b>\$ 1,110,638</b>	<b>\$ 501,024</b>	<b>\$ 187,255</b>	<b>\$ 1,798,917</b>	<b>\$ 567,595</b>	<b>\$ 2,366,512</b>

See accompanying notes.



# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (94,732)	\$ 214,219
Reconciliation adjustments		
Depreciation	35,487	968
Deferred rent	13,113	-
Changes in:		
Accounts receivable	(25,000)	-
Prepaid expenses and other current assets	11,588	20,616
Accounts payable	109,387	99,542
Accrued payroll and taxes	78,044	28,129
Net cash provided by operating activities	127,887	363,474
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(451,629)	(18,520)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(323,742)</b>	<b>344,954</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>\$ 1,090,591</b>	<b>745,637</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 766,849</b>	<b>\$ 1,090,591</b>

See accompanying notes.

# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Notes to Financial Statements

June 30, 2020 and 2019

### NOTE 1 - ORGANIZATION

National Landing Business Improvement District, Inc. (the "Organization"), formerly known as Crystal City Business Improvement District, 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. Effective January 23, 2020, the Organization changed its name to National Landing Business Improvement District, Inc.

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.

### 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.

**Adoption of New Accounting Guidance** - On July 1, 2019, the Organization adopted Accounting Standard Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), issued by the Financial Accounting Standards Board ("FASB"). This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. It requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures.

The Organization adopted the ASU using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning net assets. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. As the adoption of this standard did not have a material impact on the Organization's financial statements, no adjustments to opening net assets without donor restrictions were made as of July 1, 2019.

# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Notes to Financial Statements

June 30, 2020 and 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**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, include 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.

**Accounts Receivables** - 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, 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.

**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, 2020 and 2019.

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.

# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Notes to Financial Statements

June 30, 2020 and 2019

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Organization recognizes interest and penalties related to uncertain tax positions in management and general expenses. For the years ended June 30, 2020 and 2019, 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, 2017. The Organization is not currently under examination by any taxing jurisdiction.

**Advertising** - Advertising costs are expensed as incurred and totaled \$416,796 and \$317,913 for the years ended June 30, 2020 and 2019, 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.

**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. The Organization revised its program service categories on July 1, 2019 in accordance with the work program and budget approved by the County.

**Reclassification** - Certain reclassifications were made to the June 30, 2019 financial statements to conform to the June 30, 2020 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, 2020 and 2019:

	2020	2019
Computers	\$ 29,051	\$ 9,816
Furniture and fixtures	185,505	8,122
Leasehold improvements	216,220	60,091
Vehicles	42,913	-
	473,689	78,029
Less: accumulated depreciation	(36,927)	(57,409)
Property and equipment, net	\$ 436,762	\$ 20,620

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$35,487 and \$968, respectively.

# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Notes to Financial Statements

June 30, 2020 and 2019

### 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 County also withheld a percentage of the budgeted revenues as a reserve for uncollected taxes and assessment reductions and retained administrative fees equal to two percent of actual revenues received from assessments. The excess between actual revenues collected and budgeted revenues, less actual disbursements and budgeted disbursements, will be carried forward and available for additional draws. The activities and balances of the County disbursements as of June 30, 2020 and 2019 are as follows:

	2020	2019
Actual revenues received by County from assessments	\$ 2,654,150	\$ 2,540,997
Administrative fee percentage	2%	2%
County fees	\$ 53,083	\$ 50,820
Actual disbursements received by the Organization	\$ 2,639,256	\$ 2,469,530
Additional draws	-	-
	2,639,256	2,469,530
County fees	53,083	50,820
County disbursements	\$ 2,692,339	\$ 2,520,350
Beginning reserve balance	\$ 58,589	\$ 37,942
Net of revenues less operating expenses	(38,189)	20,647
Ending reserve balance	\$ 20,400	\$ 58,589

### 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, 2020 and 2019 were \$32,364 and \$33,846, respectively.

# NATIONAL LANDING BUSINESS IMPROVEMENT DISTRICT, INC.

## Notes to Financial Statements

June 30, 2020 and 2019

### NOTE 6 - LEASE AGREEMENT

The Organization has a lease agreement with JBG Smith Properties, which has members on the Board of Directors. Under the terms of the agreement, the Organization is responsible for real estate taxes and operating expenses for the leased premises. In March 2019, the lease was extended to December 31, 2019. Monthly base rent is \$6,516. The first monthly base rent for each of the lease years during the lease term will be waived by the lessor provided that the Organization is not in default of any of the terms or conditions of the lease. On June 28, 2019, both parties signed a lease on a new office location, which expires in May 2025. Monthly base rent under the new 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, 2020 and 2019, the deferred rent liability was \$13,113 and \$0, respectively. Rent expense for the years ended June 30, 2020 and 2019 totaled \$133,369 and \$71,865, 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, 2021	\$	157,898
2022		162,638
2023		167,498
2024		172,523
2025		177,699
	\$	838,256

### 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 \$766,849 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, 2020 are sufficient to cover all of its obligations.