

UPTOWN DALLAS, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITORS' REPORT

DECEMBER 31, 2018 AND 2017

Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
Johnna W. McNeal, CPA
Beverly Smith, CPA
James R. Smith, CPA

Members of
American Institute of Certified Public Accountants
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AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA
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Les S. Malnory, CPA

UPTOWN DALLAS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Uptown Dallas, Inc.

We have audited the accompanying financial statements of Uptown Dallas, Inc. (a non-profit organization), which comprise the statements of assets, liabilities, and net assets (modified cash basis) as of December 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net assets (modified cash basis) and cash flows (modified cash basis) 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 of 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 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 assets, liabilities, and net assets of Uptown Dallas, Inc. as of December 31, 2018 and 2017, and its revenues, expenses, and other changes in net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Certificate of Fact on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying records. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying records, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dallas, Texas
April 23, 2019

Uptown Dallas, Inc.
 Statements of Assets, Liabilities, and Net Assets
 (Modified Cash Basis)
 December 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,022,540	\$ 1,361,341
Inventory	<u>1,465</u>	<u>1,465</u>
Total current assets	<u>1,024,005</u>	<u>1,362,806</u>
DEPRECIABLE ASSETS - at cost		
Property and equipment	70,583	70,583
Less accumulated depreciation	<u>(70,583)</u>	<u>(57,750)</u>
	<u>-</u>	<u>12,833</u>
TOTAL ASSETS	<u>\$ 1,024,005</u>	<u>\$ 1,375,639</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued liabilities	\$ 4,951	\$ -
NET ASSETS		
Unrestricted	1,019,054	1,001,604
Temporarily restricted	<u>-</u>	<u>374,035</u>
Total net assets	<u>1,019,054</u>	<u>1,375,639</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,024,005</u>	<u>\$ 1,375,639</u>

Uptown Dallas, Inc.
 Statements of Revenues, Expenses, and Changes in Net Assets
 (Modified Cash Basis)
 Year ended December 31,

	2018	2017
Unrestricted:		
REVENUES		
Net current year tax assessment collections	\$ 2,096,646	\$ 1,867,366
Restricted assets released	374,035	346,540
Tax assessment refunds	(26,021)	(13,630)
Sponsorships and fees collected	65,556	60,698
Interest and other income	6,474	5,691
Total increase in unrestricted net assets	2,516,690	2,266,665
EXPENSES		
Services:		
Marketing and promotion	476,836	313,426
Police patrol	346,868	277,853
MATA operating support	300,042	370,000
Total services	1,123,746	961,279
Capital improvements	311,125	287,897
Maintenance	702,445	627,541
Finance and administration	349,091	309,630
Depreciation	12,833	14,299
Total decrease in unrestricted net assets	2,499,240	2,200,646
Increase/(decrease) in unrestricted net assets	17,450	66,019
Temporarily restricted:		
Restricted income	-	374,035
Temporarily restricted refunds	-	(37,985)
Net assets released from restrictions	(374,035)	(346,540)
Increase/(decrease) in temporarily restricted net assets	(374,035)	(10,490)
Increase/(decrease) in net assets	(356,585)	55,529
Net assets at beginning of year	1,375,639	1,320,110
Net assets at end of year	\$ 1,019,054	\$ 1,375,639

Uptown Dallas, Inc.
 Statements of Cash Flows
 (Modified Cash Basis)
 Year ended December 31,

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (356,585)	\$ 55,529
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities		
Depreciation	12,833	14,299
Change in operating assets and liabilities		
(Increase) decrease in inventory	-	8,226
Increase (decrease) in accrued liabilities	4,951	(759)
Net cash provided by (used in) operating activities	(338,801)	77,295
Net increase (decrease) in cash	(338,801)	77,295
Cash and cash equivalents at beginning of year	1,361,341	1,284,046
Cash and cash equivalents at end of year	\$ 1,022,540	\$ 1,361,341

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Uptown Dallas, Inc. (the “Organization”, formerly known as Uptown, Inc.) is a nonprofit, incorporated in the State of Texas on June 24, 1992. The Organization was organized to promote the resources, maintenance, upgrading of infrastructure and special services of an area known as Uptown of the City of Dallas, Texas.

Uptown Public Improvement District

On April 15, 1993, the owners of real property within the proposed Uptown Public Improvement District (the “District”) delivered to the City of Dallas a petition to create the District. On June 23, 1993, the City of Dallas approved the petition and authorized the creation of the District. The District will automatically dissolve December 31, 2019, unless the District is renewed through the petition and approval process, or the District is sooner terminated as provided by law.

The purpose of the District is to enhance the maintenance of capital improvements in public rights-of-way, to plan for physical improvements, to support trolley operations, to plan and fund transportation improvements or programs to mitigate negative impacts of traffic, to enhance security, to provide marketing information to promote the District, and to provide other services and improvements. The funding of operations, approved by the City of Dallas, will be paid primarily from assessments on the real property in the District.

Management Contract

In November 1993, the Organization entered into a contract with the City of Dallas whereby the Organization provides management, services, and improvements for the District to be paid from the assessment collection services for the Organization. The City of Dallas authorized the approval of a resolution renewing the District for a period of seven years through December 31, 2019. The City of Dallas authorized the amended and restated management contract on September 12, 2018 and terminating on December 31, 2019.

Basis of Accounting

The Organization prepares its financial statements on the modified cash basis of accounting. Under this basis, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. Modifications to the cash basis include recording depreciation on equipment purchases and recording inventory.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in FASB ASC 958-210-50-3 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*). Under FASB ASC 958-210-50-3, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Organization maintains its cash balances in checking and money market accounts at financial institutions in Dallas, Texas, which at times may exceed insured limits. Cash, in excess of operating requirements, is invested in certificates of deposits, money market accounts, or Euro-dollar deposits.

The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory, which consist of antique McKinney Ave. bricks reclaimed, are stated at the lower of cost (first-in-first-out (FIFO)) or market. The Organization owns approximately 430 linear feet of limestone curbing recovered from McKinney Ave.

For the years ended December 31, 2018 and 2017, respectively, the carrying value of the inventory at lower of cost or market is \$1,465 and \$1,465, and is being held for possible future projects.

Property and Equipment

The Organization capitalized all expenditures in excess of \$500 for property and equipment at cost.

Furniture, fixtures, equipment and computers are depreciated using the straight-line method over four to five years.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal income taxes has been recorded in the accompanying financial statement. In addition, the Organization has been determined by the Internal Revenue Service (“IRS”) not to be a “private foundation” within the meaning of section 509(a) of the Internal Revenue Service Code. There was no unrelated business income or known Federal excise taxes for the years ended December 31, 2018 and 2017. The Organization’s federal Return of Organization Exempt from Income Tax (Form 990) for 2015, 2016, and 2017 are open to examination by the IRS for a period of three years from the date the returns are filed.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax provisions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, Accounting for Income Taxes, would be immaterial to the financial statements taken as whole. Accordingly, the accompanying financial statements do not include any provision of uncertain tax positions, and no related interest or penalties have been recorded in the financial statements.

Revenue

All tax assessment revenue is recognized when collected by the Organization. Current year collections are considered to be available for unrestricted use. Current year collections related to the tax levy associated with the subsequent year budget are considered increases in temporarily restricted net assets in the year collected. These temporarily restricted net assets are released from restriction in the subsequent year and are available for unrestricted use as per the Organization’s Board and Dallas City Council’s adopted budget for the Organization.

The assessment was \$0.045 per \$100 of total appraised real property value throughout the District in 2001 through 2018, less senior citizen, disability and homestead exemptions granted by the Dallas Central Appraisal District and property exempt from taxation, such as cemeteries.

Unconditional promises to give received by the Organization are recognized when collected.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, consisted of the following:

	<u>2018</u>	<u>2017</u>
Furniture, fixtures & equipment	\$ 25,042	\$ 25,042
Automobiles	27,580	27,580
Leasehold improvements	<u>17,961</u>	<u>17,961</u>
Total property and equipment	70,583	70,583
Less accumulated depreciation	<u>(70,583)</u>	<u>(57,750)</u>
Net property and equipment at December 31,	\$ <u> </u> -	\$ <u>12,833</u>

Depreciation expense for the years ending December 31, 2018 and 2017 was \$12,833 and \$14,299, respectively.

3. VALUE CHANGES

Value changes occur when a property owner within the District disputes their original tax assessment amount and, as a result of litigation between owners and Dallas Central Appraisal District, the original assessment is increased or reduced.

4. COLLECTION FEES

Collection fees are \$2.75 and \$2.75 per tax account, which are netted against tax assessment revenue, and is paid to Dallas County for its collection services in 2018 and 2017, respectively.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

5. RESTRICTED ASSETS RELEASED – PRIOR YEAR TAX COLLECTIONS

The City of Dallas levies a tax assessment in October of each year, the collections from which are designated for the Organization’s budget for the subsequent year. The Organization received \$374,035 and \$346,540 in collections that were released from prior year temporarily restricted net assets for the years ending December 31, 2018 and 2017, respectively.

6. TAX ASSESSMENT REFUNDS

For the years ending December 31, 2018 and 2017, the Organization issued property tax refunds of \$26,021 and \$13,630, respectively, to property owners incorrectly included in the District levy.

7. DONATED SERVICES

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various committee assignments.

8. SERVICES

Marketing and promotion

Advertising and marketing costs are charged to operations when incurred. The Organization was a party to a contract with Uptown Dallas Association, Inc. (“UDA”), another exempt organization, for administrative services and joint marketing efforts. Effective as of January 1, 2009, UDA, by vote of its members and board transferred all its assets to Uptown Dallas, Inc, in consideration of the termination of UDA’s contract mentioned above.

Expenses for marketing and promotion, including marketing salaries, totaled \$476,836 and \$313,426, for the years ending December 31, 2018 and 2017, respectively.

Police patrol

Supplemental security services are provided to the District by the Organization. The cost to the Organization for Police Patrol was \$346,868 and \$277,853 for the years ending December 31, 2018 and 2017, respectively.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

8. SERVICES (continued)

Trolley and transportation

Trolley and transportation expenses represent costs to support the McKinney Avenue Trolley (the “Trolley”). The McKinney Avenue Transit Authority is responsible for the operation of the Trolley, including the planning and funding of transportation improvements or programs to mitigate negative impacts of traffic. Trolley and transportation expenses of \$300,042 and \$370,000 were incurred for the years ending December 31, 2018 and 2017, respectively. Certain individuals are members of the Organization’s board of directors and the McKinney Avenue Transit Authority’s board of directors, though none received remuneration from either non-profit entity.

9. CAPITAL IMPROVEMENTS

The Organization incurred \$311,125 and \$287,897 for capital improvements in 2018 and 2017, respectively.

10. TRANSACTIONS WITH AFFILIATES

The Organization entered into an office lease agreement effective August 1, 2013 through April 30, 2019 with an entity affiliated with a member of the board of directors. During the years ending December 31, 2018 and 2017, rent expense was \$49,391 and \$47,364, respectively.

During the years ending December 31, 2018 and 2017, the Organization received \$13,200 and \$5,789, respectively, in contributions from entities associated with members or directly from members of the board of directors.

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Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

11. OPERATING LEASES

The Organization entered into a lease agreement to lease a copier effective November 1, 2013 through October 31, 2018, which has been renewed and extended through February 28, 2023. The lease expense was \$5,092 and \$4,324 for the years ending December 31, 2018 and 2017, respectively.

Future minimum rental obligations under all leases including lease agreements with affiliates are as follows:

December 31,		
	2019	\$ 3,012
	2020	3,012
	2021	3,012
	2022	3,012
	2023	502
	Thereafter	-
Total		\$ <u>12,550</u>

12. FUNCTIONAL EXPENSES

The functional classification of expenses are allocated between program services and supporting services. Expenses relating to program services are \$2,137,316 and \$1,876,718 for the years ending December 31, 2018 and 2017, respectively. Expenses relating to supporting services are \$361,924 and \$323,930 for the years ending December 31, 2018 and 2017, respectively.

13. NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

December 31,	<u>2018</u>	<u>2017</u>
Tax assessment collections available		
in subsequent year	<u>\$ -</u>	<u>\$374,035</u>
Temporarily restricted net assets	<u>\$ -</u>	<u>\$374,035</u>

14. COMMITMENTS

The Organization enters into various agreements for goods and services in the ordinary course of providing the various programs and other activities.

On March 28, 2018, the Organization agreed to pay a total of \$1,000,000 from eligible public improvement district assessments for the construction of the McKinney Avenue/Cole Avenue Two-Way Conversion project as it relates to streetscape and trolley operations.

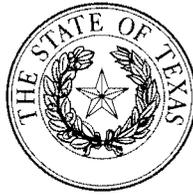
Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

15. RETIREMENT PLAN

The Organization has a 401(k) benefit plan, which covers substantially all full-time and part-time employees. The safe harbor contribution will be a match of 100% of the first 3% of salary deferral plus 50% of the next 2% of salary deferral. The ADP safe harbor matching contribution is 100% vested at all times. Contributions to the plan during the years ended December 31, 2018 and December 31, 2017 totaled \$10,309 and \$7,598, respectively.

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 23, 2019, the date the financial statements were available to be issued.



Office of the Secretary of State

Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Articles Of Incorporation for UPTOWN DALLAS, INC. (file number 123565501), a Domestic Nonprofit Corporation, was filed in this office on June 30, 1992.

It is further certified that the entity status in Texas is in existence.

It is further certified that our records indicate AMY S. THORP as the designated registered agent for the above named entity and the designated registered office for said entity is as follows:

3600 MCKINNEY AVE., STE 210

DALLAS, TX - 75204 USA

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on April 23, 2019.



A handwritten signature in black ink, appearing to read "David Whitley".

David Whitley
Secretary of State