

Uptown Dallas, Inc.

Financial Statements and
Independent Auditors' Report
December 31, 2021

UPTOWN DALLAS, INC.

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Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
Johnna W. McNeal, CPA
Les S. Malnory, CPA
E.J. Musharbash, CPA
Beverly Smith, CPA
James R. Smith, CPA

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

Elizabeth Hamm, CPA
Matthew Doyle, CPA
Yvonne Yu, CPA
Imran Zamani, CPA

Independent Auditors' Report

Board of Directors
Uptown Dallas, Inc.

Opinion

We have audited the accompanying financial statements of Uptown Dallas, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Uptown Dallas, Inc. as of December 31, 2021, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Uptown Dallas, Inc. and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Uptown Dallas, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Uptown Dallas, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Uptown Dallas, Inc.'s ability to continue as a going concern for a reasonable period of time.

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 16 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in blue ink, appearing to read "Walter H. ... PC". The signature is fluid and cursive.

Dallas, Texas
April 19, 2022

Uptown Dallas, Inc.
Statement of Financial Position
December 31, 2021

Assets

Current Assets	
Cash & cash equivalents	\$ 2,447,789
Tax assessments receivable	2,894,713
Prepays	68,909
Inventory	<u>1,466</u>
Total current assets	<u>5,412,877</u>
Property and equipment	72,161
Less accumulated depreciation	<u>(58,165)</u>
	<u>13,996</u>
Total Assets	<u>\$ 5,426,873</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	63,007
Credit card payable	11,578
Tax assessments-deferred revenue	<u>2,894,713</u>
Total current liabilities	<u>\$ 2,969,298</u>
Net Assets	
Net assets without donor restrictions	2,457,575
Net assets with donor restrictions	<u>-</u>
Total Net Assets	<u>2,457,575</u>
Total Liabilities and Net Assets	<u>\$ 5,426,873</u>

Uptown Dallas, Inc.
 Statements of Activities and Change in Net Assets
 For the Year Ended December 31, 2021

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Revenue:			
Assessments	\$ 2,954,847	\$ -	\$ 2,954,847
Interest income	5,380	-	5,380
Other income	61,052	-	61,052
Less: City and county fees	<u>(23,612)</u>	-	<u>(23,612)</u>
Total Revenue	<u>2,997,667</u>	-	<u>2,997,667</u>
Expenses			
Program	2,133,992	-	2,133,992
Supporting	452,795	-	452,795
Fundraising	-	-	-
Total expenses	<u>2,586,787</u>	<u>-</u>	<u>2,586,787</u>
Change in Net Assets	410,880	-	410,880
Net Assets at beginning of year	<u>2,046,695</u>	<u>-</u>	<u>2,046,695</u>
Net Assets at end of year	<u>\$ 2,457,575</u>	<u>\$ -</u>	<u>\$ 2,457,575</u>

Uptown Dallas, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Capital improvements	\$ 583,623	\$ -	\$ -	\$ 583,623
Finance and administration	-	452,795	-	452,795
Maintenance	468,430	-	-	468,430
Marketing & promotion	389,667	-	-	389,667
MATA operating support	300,000	-	-	300,000
Police patrol	392,272	-	-	392,272
Total functional expenses	<u>\$ 2,133,992</u>	<u>\$ 452,795</u>	<u>\$ -</u>	<u>\$ 2,586,787</u>

Uptown Dallas, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities	
Change in net assets	\$ 410,880
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities	
Depreciation	9,330
Change in operating assets and liabilities	
(Increase) decrease in accounts receivable	1,770
(Increase) decrease in prepaid expenses	(62,149)
Increase (decrease) in accounts payable	21,718
Increase (decrease) in credit card payable	10,374
Increase (decrease) in deferred revenue	<u>(1,770)</u>
Net cash provided by (used in) operating activities	390,153
Net increase (decrease) in cash	390,153
Cash and cash equivalents at beginning of year	<u>2,057,636</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,447,789</u></u>

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2021

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, 2026, 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 amended and restated management contract on September 19, 2019 and terminating on December 31, 2026.

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Basis of Financial Statements Presentation

For reporting purposes, resources are classified into two net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Financial Statements Presentation (continued)

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time or subject to donor-imposed stipulations that are to be maintained permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations, as net assets are released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions. There were no net assets with donor restrictions as of December 31, 2021.

Financial Instruments

The Organization's financial instruments consist of cash and tax assessments receivable. It is the Board's opinion that the Organization is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair value of these financial instruments is the market value of the financial instruments and approximates their carrying values.

Cash & Concentration of Credit Risk

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.

Revenue Recognition

Revenue is recognized for the year as the Organization satisfies performance obligations under its service plan, in an amount that reflects the council approved consideration that it expects to receive in exchange for those projects or services. The annual amount and timing of revenue recognition varies based on the nature of the projects or services provided and the terms and conditions of the service plan.

Performance obligations are determined based on the nature of the projects or services provided by the Organization in accordance with the service plan. Revenue for performance obligations

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

satisfied over time is recognized ratably over the period based on time elapsed. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is generally recognized when the projects or services are provided to residents or property owners at a single point in time and the Organization does not believe it is required to provide additional services related to that transaction. The Organization's revenue streams do not have significant financing components.

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 year ended December 31, 2021, the carrying value of the inventory at lower of cost or market was \$1,466 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.

Property Assessment, Assessments Receivable, Assessments Allocable, and Revenue

The Organization presents an annual Service Plan and Assessment Plan to the City in September of each year. After due process and upon adoption, the City levies a property assessment against property in the Organization and provides for collection of the assessment to be used by the Organization for the approved services and improvements to property in the Organization during the following calendar year.

The Organization records property assessments as a receivable when levied by the City and a corresponding offset to assessments allocable to the respective organization. The Dallas County Assessment Office (the "County") mails property assessment statements to the property owners in October of each year, which are due and payable on October 1, and are delinquent if not paid on or before January 31. No allowance for uncollectible assessments is established because delinquent assessments are considered fully collectible. Through September 30, 2018 collections received by the County were remitted to the Organization.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Assessment, Assessments Receivable, Assessments Allocable, and Revenue (continued)

Effective October 1, 2018, collections are currently remitted to the City to be remitted to the District upon approved request. Assessments allocable are recognized as revenue without donor restrictions as of January 1 each year to correspond to the approved Service Plan's provision for services and improvements for the calendar year. The 2021 tax assessment levy balance as of December 31, 2021 is \$2,894,713.

Functional Allocation of Expenses

The costs of providing the Organization's various programs, fundraising, management and general have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, fundraising, management and general categories based on the specific identification of costs or approximate percentage of time and other methods.

Federal 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 year ended December 31, 2019. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2018, 2019, and 2020 are open to examination by the IRS for a period of three years from the date the returns are filed.

The Organization filed IRS Form 5768 an election by an eligible section 501(c)(3) organization to make expenditures to influence legislation. The status of which has not been determined as of April 19, 2022, the date the financial statements were available to be issued.

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.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Revenue Sources

The Organization's revenue is totally derived from annual assessments levied by the City. The current level of the Organization's operations and programs may be impacted if the City's annual assessment is not levied.

The assessment was \$0.045 per \$100 of total appraised real property value throughout the District in 2001 through 2021, less senior citizen, disability and homestead exemptions granted by the Dallas Central Appraisal District and property exempt from taxation, such as cemeteries.

Use of Estimates

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

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date are \$5,342,502.

The District manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 consisted of the following:

Furniture, fixtures & equipment	\$ 25,043
Automobiles	29,157
Leasehold improvements	<u>17,961</u>
Total property and equipment	72,161
Less accumulated depreciation	<u>(58,165)</u>
Net property and equipment at December 31,	<u>\$ 13,996</u>

Depreciation expense for the year ending December 31, 2021 was \$9,330.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2021

4. VALUE CHANGES

Value changes occur when a property owner within the Organization 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.

5. COLLECTION FEES AND INTEREST

Collection fees retained by the County for the 2020 levy in the amount of \$6,653 are netted against assessment collections received from the County by the City in January 2021 for its collection services during 2020. The 2021 collection fees will be netted against collections received in 2022.

The City reimbursed the General Fund for administrative costs incurred for the day-to-day accounting responsibilities, administrative and operational oversight of the District from the assessment collections received from the County in the amount of \$16,959 for the year ended December 31, 2021.

In addition to remitting the net assessment collections received from the County, the City paid the District interest of \$297 for the year ended December 31, 2021.

6. TAX ASSESSMENT REFUNDS

For the year ending December 31, 2021, the Organization issued property tax refunds of \$0 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. Expenses for marketing and promotion, including marketing salaries, totaled \$389,667 for the year ending December 31, 2021.

Police patrol

Supplemental security services are provided to the District by the Organization. The cost to the Organization was \$392,272 for the year ending December 31, 2021.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2021

8. SERVICES (continued)

Maintenance

Maintenance services are provided to the District by the Organization. The cost to the Organization was \$468,430 for the year ending December 31, 2021.

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 \$300,000 were incurred for the year ending December 31, 2021. 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 \$583,623 for capital improvements in 2021.

10. TRANSACTIONS WITH AFFILIATES

The Organization entered into an office lease agreement effective August 1, 2013 through October 31, 2029 with an entity affiliated with a member of the board of directors. During the year ending December 31, 2021, rent expense was \$89,479.

11. OPERATING LEASES

The Organization entered into a lease agreement to lease a copier effective November 1, 2013 through October 31, 2018, which was renewed and extended through February 28, 2023. The lease expense was \$3,881 for the year ending December 31, 2021.

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

	December 31,			
		2022	\$	49,398
		2023		49,391
		2024		48,889
		2025		48,889
		2026		48,889
		Thereafter		<u>147,027</u>
Total			\$	<u><u>392,483</u></u>

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2021

12. COMMITMENTS

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

13. 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 year ended December 31, 2021 totaled \$16,082 for 2021.

14. COVID-19

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses resulting in layoffs of much of the workforce. The economic effects of those closures are not yet fully known and do not appear to have had a material effect on the District.

15. SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 19, 2022, 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.

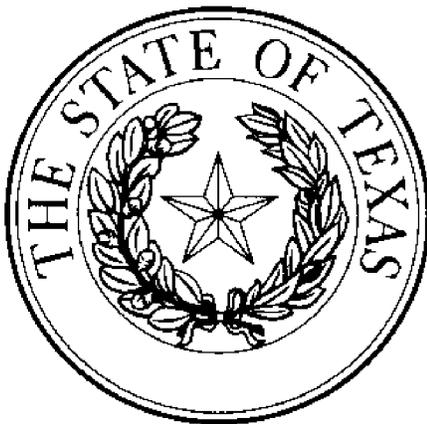
It is further certified that the entity status in Texas is in existence.

It is further certified that our records indicate KATHY STEWART 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 20, 2022.



A handwritten signature in black ink, appearing to read "John B. Scott".

John B. Scott
Secretary of State