

Uptown Dallas, Inc.

Financial Statements and
Independent Auditors' Report
December 31, 2019

UPTOWN DALLAS, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-14
CERTIFICATE OF FACT	15

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
Texas Society of Certified Public Accountants
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA
E.J. Musharbash, CPA
Les S. Malnory, CPA

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 statement of financial position as of December 31, 2019, 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.

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.

Auditor's 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 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 financial position of Uptown Dallas, Inc. as of December 31, 2019, 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.

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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2019, Uptown Dallas, Inc. adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financials Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

In 2019, the Organization changed from the preparation of the financial statements on the modified cash basis of accounting to financial statement preparation in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Dallas, Texas
March 25, 2020

Uptown Dallas, Inc.
Statement of Financial Position
December 31, 2019

Assets

Current Assets	
Cash & cash equivalents	\$ 1,602,782
Tax assessments receivable	2,913,508
Inventory	<u>1,466</u>
Total current assets	<u>4,517,756</u>
Property and equipment	70,584
Less accumulated depreciation	<u>(70,584)</u>
	<u>-</u>
Total Assets	<u>\$ 4,517,756</u>

Liabilities and Net Assets

Current Liabilities	
Tax assessments-deferred revenue	\$ <u>2,898,513</u>
Total current liabilities	<u>2,898,513</u>
Net Assets	
Net assets without donor restrictions	1,619,243
Net assets with donor restrictions	<u>-</u>
Total Net Assets	<u>1,619,243</u>
Total Liabilities and Net Assets	<u>\$ 4,517,756</u>

Uptown Dallas, Inc.
 Statements of Activities and Change in Net Assets
 For the Year Ended December 31, 2019

	Net Assets without Donor <u>Restrictions</u>	Net Assets with Donor <u>Restrictions</u>	<u>Total</u>
Revenue:			
Assessments	\$ 2,644,558	\$ -	\$ 2,644,558
Interest income	5,091	-	5,091
Other income	30,629	-	30,629
Less: City and county fees	<u>(26,433)</u>	<u>-</u>	<u>(26,433)</u>
Total Revenue	2,653,845	-	2,653,845
Expenses			
Program	1,698,503	-	1,698,503
Supporting	355,153	-	355,153
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>2,053,656</u>	<u>-</u>	<u>2,053,656</u>
Change in Net Assets	600,189	-	600,189
Net Assets at beginning of year	<u>1,019,054</u>	<u>-</u>	<u>1,019,054</u>
Net Assets at end of year	<u>\$ 1,619,243</u>	<u>\$ -</u>	<u>\$ 1,619,243</u>

Uptown Dallas, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Capital improvements	\$ 70,351	\$ -	\$ -	\$ 70,351
Finance and administration	-	355,153	-	355,153
Maintenance	687,442	-	-	687,442
Marketing & promotion	334,428	-	-	334,428
MATA operating support	300,000	-	-	300,000
Police patrol	306,282	-	-	306,282
Total functional expenses	<u>\$ 1,698,503</u>	<u>\$ 355,153</u>	<u>\$ -</u>	<u>\$ 2,053,656</u>

Uptown Dallas, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets	\$ 600,189
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities	
Change in operating assets and liabilities	
(Increase) decrease in accounts receivable	(187,678)
Increase (decrease) in accounts payable	(4,952)
Increase (decrease) in deferred revenue	172,683
Net cash provided by (used in) operating activities	<u>580,242</u>
Net increase (decrease) in cash	<u>580,242</u>
Cash and cash equivalents at beginning of year	<u>1,022,540</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,602,782</u></u>

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2019

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.

In 2019, the Organization changed from the preparation of the financial statements on the modified cash basis of accounting to financial statement preparation in accordance with accounting principles generally accepted in the United States of America.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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, 2019.

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.

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.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory (continued)

For the year ended December 31, 2019, the carrying value of the inventory at lower of cost or market was \$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.

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.

Change in Accounting Principle

In 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. A summary of the changes is as follows:

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.
- Expenses are reported by nature and function on a separate statement of functional expense. Notes to the financial statements include enhanced quantitative and qualitative disclosures providing additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- ASU 2016-14 clarifies that for purposes of allocating expenses to functional categories, only activities which constitute direct conduct or supervision of program services can be included in program expense. As a result, accounting, reporting and general oversight associated with grants and investment management, previously included as program

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Account Principle (continued)

expense, are included in administrative support for 2019. The result is a reduction in program expense and an increase in administrative support.

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. As collections are received by the County, they were remitted to the Organization through September 30, 2018. Effective October 1, 2018, collections were 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.

2018 tax assessments levy	\$ 14,995
2019 tax assessments levy	<u>2,898,513</u>
Total tax assessments receivable	\$ 2,913,508

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 2016, 2017, and 2018 are open to examination by the IRS for a period of three years from the date the returns are filed.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2019, 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 \$4,516,290.

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.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2019

3. PROPERTY AND EQUIPMENT

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

	<u>2019</u>
Furniture, fixtures & equipment	\$ 25,043
Automobiles	27,580
Leasehold improvements	<u>17,961</u>
Total property and equipment	70,584
Less accumulated depreciation	<u>(70,584)</u>
Net property and equipment at December 31,	<u>\$ -</u>

Depreciation expense for the year ending December 31, 2019 was \$0.

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 2018 levy in the amount of \$5,783 are netted against assessment collections received from the County by the City in January 2019 for its collection services during 2018. The 2019 collection fees will be netted against collections received in 2020.

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 \$20,650 for the year ended December 31, 2019.

In addition to remitting the net assessment collections received from the County, the City paid the District interest of \$7,013 for the year ended December 31, 2019.

6. TAX ASSESSMENT REFUNDS

For the year ending December 31, 2019, 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.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2019

8. SERVICES

Marketing and promotion

Advertising and marketing costs are charged to operations when incurred. Expenses for marketing and promotion, including marketing salaries, totaled \$334,428 for the year ending December 31, 2019.

Police patrol

Supplemental security services are provided to the District by the Organization. The cost to the Organization for Police Patrol was \$306,282 for the year ending December 31, 2019.

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, 2019. 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 \$70,351 for capital improvements in 2019.

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, 2019, rent expense was \$49,149.

During the year ending December 31, 2019, the Organization received \$2,500 in contributions from entities associated with members or directly from members of the board of directors.

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 \$3,517 for the year ending December 31, 2019.

Uptown Dallas, Inc.
Notes to Financial Statements
December 31, 2019

11. OPERATING LEASES (continued)

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

December 31,		
	2020	\$ 3,012
	2021	3,012
	2022	3,012
	2023	502
	2024	-
	Thereafter	-
Total		\$ <u>9,538</u>

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, 2019 totaled \$6,217 for 2018.

14. SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 25, 2020, 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.

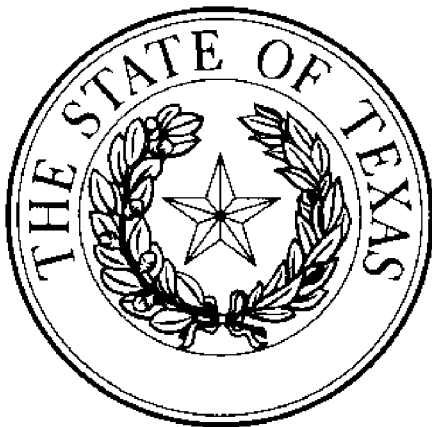
It is further certified that the entity status in Texas is in existence.

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 March 25, 2020.



A handwritten signature in black ink, appearing to read "Ruth R. Hughs".

Ruth R. Hughs
Secretary of State