

South Dallas-Fair Park Public Improvement District

Financial Statements and Independent Auditors' Report
For the Year Ended December 31, 2022



Malnory, McNeal
& COMPANY, PC

ACCOUNTING • ADVISORY • ASSURANCE

SOUTH DALLAS – FAIR PARK PUBLIC IMPROVEMENT DISTRICT

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Independent Auditors' Report

Board of Directors
South Side Quarter Development Corporation

Opinion

We have audited the accompanying financial statements of South Dallas – Fair Park Public Improvement District (the “District”), which comprise the statement of financial position as of December 31, 2022, and the related statement 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 South Dallas – Fair Park Public Improvement District as of December 31, 2022, and the changes in its net assets, its 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 South Dallas – Fair Park Public Improvement District and to meet our other 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 South Dallas – Fair Park Public Improvement District'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 one for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 South Dallas – Fair Park Public Improvement District'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 South Dallas – Fair Park Public Improvement District's ability to continue as a going concern for a reasonable period of time.

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 that reads "Malnory, McNeal & Company PC". The signature is written in a cursive, flowing style.

Dallas, Texas
April 26, 2023

South Dallas - Fair Park Public Improvement District
Statement of Financial Position
December 31, 2022

Assets

Current Assets	
Tax assessments receivable	250,435
Total current assets	250,435
Furniture, fixture, & equipment	6,119
Accumulated depreciation	(6,119)
Total Fixed assets	-
Total Assets	\$ 250,435

Liabilities and Net Assets

Current Liabilities	
Bank Overdraft	14,322
Due to SSPID	\$ 548
Due to Tekton LLC	31,461
Tax assessments-deferred revenue	196,857
Total current liabilities	243,188
Net Assets	
Net assets without donor restrictions	7,247
Net assets with donor restrictions	-
Total Net Assets	7,247
Total Liabilities and Net Assets	\$ 250,435

South Dallas - Fair Park Public Improvement District
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Revenues:			
Assessments	\$ 188,942	\$ -	\$ 188,942
Interest income	(243)	-	(243)
Less: City and county fees	<u>(11,101)</u>	<u>-</u>	<u>(11,101)</u>
Total Revenues	177,598	-	177,598
 Expenses			
Program	191,655	-	191,655
Supporting	31,627	-	31,627
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>223,282</u>	<u>-</u>	<u>223,282</u>
 Changes in Net Assets	 (45,684)	 -	 (45,684)
 Net Assets at beginning of year	 <u>52,931</u>	 <u>-</u>	 <u>52,931</u>
 Net Assets at end of year	 <u>\$ 7,247</u>	 <u>\$ -</u>	 <u>\$ 7,247</u>

South Dallas - Fair Park Public Improvement District
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program	Management & General	Fundraising	Total
Park improvements	\$ 126,755	\$ -	\$ -	\$ 126,755
Public safety & security	54,500	-	-	54,500
Business recruitment	10,400	-	-	10,400
Adminstration	-	11,794	-	11,794
Audit	-	6,227	-	6,227
Insurance and legal fees	-	13,606	-	13,606
Total functional expenses	\$ 191,655	\$ 31,627	\$ -	\$ 223,282

South Dallas - Fair Park Public Improvement District
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities	
Changes in net assets	\$ (45,684)
Adjustments to reconcile changes in net assets to cash provided by (used in) operating activities	
Changes in operating assets and liabilities	
(Increase) decrease in tax assessments receivable	(83,074)
Increase (decrease) in tax assessments-deferred revenue	<u>30,577</u>
Net cash provided by (used in) operating activities	<u>(98,181)</u>
Cash flows from financing activities	
Proceeds from note payable	<u>31,461</u>
Net cash provided by (used in) investing activities	<u>31,461</u>
Net increase (decrease) in cash	(66,720)
Cash and cash equivalents at beginning of year	<u>52,398</u>
Cash and cash equivalents at end of year	<u><u>\$ (14,322)</u></u>

South Dallas – Fair Park Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Side Quarter Development Corporation (“SSQDC”) is a nonprofit corporation, incorporated in the State of Texas. SSQDC was organized to create, document and teach a new model of inner-city revitalization focused on humane and sustainable practices within the South Side Quarter Community of the City of Dallas, Texas.

South Dallas – Fair Park Public Improvement District

On August 10, 2016, the South Dallas – Fair Park Public Improvement District (“SDFPPID” or the “District”) was created by Resolution No. 16-1249 of the City Council of the City of Dallas, Texas at the request of the property owners in that district. The District shall automatically dissolve December 31, 2023, unless the District is renewed through the petition and approval process, or the District is sooner terminated as provided by law. These owners pay a supplemental tax assessment, which SDFPPID uses for services above and beyond existing City services.

The purpose of the District is to fund enhancements to public safety and improvements to public infrastructure, common areas and pedestrian lighting. The funding of operations, approved by the City of Dallas, will be paid from assessments on the real property in the District. The assessment levied for 2022 was \$0.15 per \$100 of appraisal value by the Dallas Central Appraisal District.

Management Contract

Effective December 12, 2018, SSQDC entered into a management contract with the City of Dallas whereby SSQDC provides management, accounting and other services for the District. This contract as authorized by the City Council on December 12, 2018, will terminate December 31, 2023, or upon dissolution of the district.

Basis of Accounting

The District prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements include only the accounts of the District and do not include any accounts related to the activities of SSQDC.

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 District and changes therein are classified and reported as follows:

South Dallas – Fair Park Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 District 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 District 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, 2022.

Financial Instruments

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

Cash & Concentration of Credit Risk

The District invests its cash primarily with a major bank in Dallas, Texas. Accounts at the Institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. All deposits were adequately insured at December 31, 2022. The District has not incurred losses related to its cash and believes it is not exposed to any significant credit risk on cash and 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 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

South Dallas – Fair Park Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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.

Property Assessment, Assessments Receivable, Assessments Allocable, and Revenue

The District 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 District and provides for collection of the assessment to be used by the District for the approved services and improvements to property in the District during the following calendar year.

The District records property assessments as a receivable when levied by the City and a corresponding offset to tax assessments-deferred revenue. 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. 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. The 2022 tax assessment levy receivable as of December 31, 2022 is as follow:

2021 tax assessment levy	\$ 57,189
2022 tax assessment levy	193,246
Total	<u>\$ 250,435</u>

Functional Allocation of Expenses

The costs of providing the District’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

SSQDC 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 statements.

South Dallas – Fair Park Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal Income Tax Status (continued)

In addition, SSQDC 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, 2022.

SSQDC’s federal Return of Organization Exempt from Income Tax (Form 990) for 2019, 2020, and 2021 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 assessment 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 statement taken as a whole. Accordingly, the accompanying financial statements do not include any provision of uncertain assessment positions, and no related interest or penalties have been recorded in the operating statement.

Concentration of Revenue Sources

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

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 is \$250,435.

3. NOTE PAYABLE

During 2022, the Organization entered into a short term note payable in the amount of \$31,461 with a related party. The note matures June 30, 2023.

South Dallas – Fair Park Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2022

4. VALUE CHANGES

Value changes occur when a property owner within the District disputes their original tax assessment amount and, as a result of negotiation and or litigation between owners and Dallas Central Appraisal District, the original assessment is increased or reduced. Any resulting changes in assessed valuation and related property assessment amounts may change amounts remitted from the County or result in refunds issued by the District.

5. COLLECTION FEES

Collection fees retained by the County for collections during 2022 were \$4,185, which were netted against assessment collections received from the County by the City in 2022 for its collection services during 2021. The 2022 collection fees will be netted against collections received in 2023.

The City reimbursed the City 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 \$6,916 for the year ended December 31, 2022.

In addition to remitting the net assessment collections received from the County, the City incurred an unrealized loss of (\$243). The unrealized loss is related to the change in the fair value of the City's cash and investment pool. The present values of the City's investments decreased because the interest rates have been increasing in the fiscal year ending 2022. When interest rates increase, the bond price decreases. When interest rates decrease, the bond price increases. The City's practice is to hold investments to maturity so the values are expected to go up in the long-term.

6. SERVICES

Park Improvements

Park improvements are provided to the District under the terms of the service plan. The cost of park improvements was \$126,755 for the year ending December 31, 2022.

Business Recruitment and Marketing

Marketing and promotional expenses approved by the service plan are incurred in connection with special events and advertising to promote public awareness of the District. The cost of services was \$10,400 for the year ending December 31, 2022.

South Dallas – Fair Park Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2022

6. SERVICES (continued)

Security

Supplemental security services are provided to the District under the terms of the service plan. The cost of full-time private security services was \$54,500 for the year ending December 31, 2022.

7. COMMITMENTS

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

8. SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 26, 2023, the date the financial statements were available to be issued.