

UNIVERSITY DISTRICT SERVICE FUND

FINANCIAL REPORT

DECEMBER 31, 2016

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS	6 - 8

INDEPENDENT AUDITORS' REPORT

The Board of Directors
University District Service Fund
Seattle, Washington

We have audited the accompanying financial statements of University District Service Fund, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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. 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 University District Service Fund as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Peterson Sullivan LLP

November 21, 2017

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 258,184
Government contracts receivable	48,599
Prepaid expenses	<u>7,382</u>
Total assets	<u><u>\$ 314,165</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 17,109
Accrued payroll and related liabilities	<u>19,992</u>
Total current liabilities	37,101
Unrestricted Net Assets	<u>277,064</u>
Total liabilities and net assets	<u><u>\$ 314,165</u></u>

See Notes to Financial Statements

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

Support and Revenue	
Government contracts - BIA	\$ 550,169
Government contracts - other	65,784
Contributions	2,025
Event revenue	265,366
	<hr/>
Total support and revenue	883,344
Expenses	
Programs	731,148
General and administrative	72,112
	<hr/>
Total expenses	803,260
	<hr/>
Change in net assets	80,084
Unrestricted Net Assets, beginning of year	196,980
	<hr/>
Unrestricted Net Assets, end of year	<u>\$ 277,064</u>

See Notes to Financial Statements

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Expenses							Total Programs	General and Administrative	Total
	Community Engagement	Clean and Safe	Events and Marketing	Economic Development	Urban Design	Street Fair	Other Programs			
Personnel expenses	\$ 57,672	\$ 116,949	\$ 42,662	\$ 40,579	\$ 43,800	\$ 16,098	\$ -	\$ 317,760	\$ 42,452	\$ 360,212
Contractors	2,179	115,002	8,697	427	75	148,720	22,414	297,514	3,498	301,012
Rent and parking	1,973	11,966	7,095	7,916	1,610			30,560	9,166	39,726
Professional fees	1,837	9,102	4,473	4,861	1,142			21,415	2,631	24,046
Beautification		2,500					20,152	22,652		22,652
Travel and meetings	128	2,317	265	1,548	1,416		109	5,783	3,724	9,507
Office support	398	4,083	1,539	1,484	328			7,832	778	8,610
Technology and software	479	2,305	1,401	1,693	338		117	6,333	1,939	8,272
Equipment rental	400	1,926	1,171	1,319	234		98	5,148	1,545	6,693
Insurance	230	2,374	1,139	1,484	328			5,555	957	6,512
Supplies	227	2,330	489	415	212		20	3,693	818	4,511
Taxes						3,583		3,583		3,583
Bad debt expense									3,524	3,524
Permits and registration	155	746	454	511	91		38	1,995	599	2,594
Printing and publications	69	333	202	271	40		17	932	363	1,295
Banking fees	31	147	89	101	18		7	393	118	511
Total expenses	\$ 65,778	\$ 272,080	\$ 69,676	\$ 62,609	\$ 49,632	\$ 168,401	\$ 42,972	\$ 731,148	\$ 72,112	\$ 803,260

See Notes to Financial Statements

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

Cash Flows from Operating Activities	
Change in net assets	\$ 80,084
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Changes in assets and liabilities	
Government contracts receivable	1,537
Grants receivable	50,000
Prepaid expenses	2,776
Accounts payable	(7,437)
Accrued payroll and related liabilities	<u>11,796</u>
Net cash flows from operating activities and change in cash and cash equivalents	138,756
Cash and Cash Equivalents, beginning of year	<u>119,428</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 258,184</u></u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

The University District Service Fund ("the Organization"), doing business as The U District Partnership, is a nonprofit organization incorporated in the State of Washington in 2002. The Organization assumed the charitable activities of the Greater University Chamber of Commerce on January 1, 2014, at which time they also received its assets and liabilities.

The Organization's purpose is to promote and enhance the business community and to further the growth, development, and health of the greater Seattle University District community. The Organization's activities include organizing community events (namely the University District Streetfair), marketing the district to attract and retain businesses, cultivating a clean and safe environment, and engaging with the community.

Specifically, the Organization's principal services include recruitment of volunteers, developing community leadership, facilitating organizational partnerships, forming and sustaining business district improvement programs, and leading the district's strategic branding and communication efforts.

The Organization's primary source of support and revenue is a contract through 2020 with the University District Business Improvement Area ("the BIA"), an agent of the City of Seattle, to provide services that are funded by a Business Improvement Area assessment. In 2016, the Organization earned \$550,169 under this contract.

BIAs are funding mechanisms for business district revitalization and management. BIAs charge assessments on businesses and/or properties within defined boundaries that are used to provide services for the mutual benefit of the businesses and properties being assessed.

The BIA authorizes a special assessment that is levied and collected by the City of Seattle on all properties within the University District's boundaries, except for single-family houses, duplexes, triplexes, or townhouses. The assessment is based upon benefits received related to these improvements and services. The City of Seattle reimburses the Organization for expenses related to these improvements and services. The BIA is governed by a Ratepayers Advisory Board, which meets monthly and contracts with the Organization to manage its day-to-day operations.

Each year, the Organization also organizes the "University District Streetfair" event, the longest running street fair in the United States, to celebrate neighborhood peace, culture, and community. Event revenue is generated through the rental of vendor booths and through business sponsorships.

Financial Statement Presentation

The Organization reports information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no temporarily or permanently restricted net assets, so these classes of net assets are not shown on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents include cash held at a bank. The Organization considers all short-term securities with an original maturity of three months or less to be cash equivalents. At times, cash balances can exceed federally insured limits.

Government Contracts Receivable

Government contracts receivable consist of revenue earned under contracts administered by various state and local government agencies, but not yet received. Management reviews contracts receivable, estimates the amount of uncollectible accounts, and records an allowance for doubtful accounts (if required). Management determined that an allowance for doubtful accounts was not required at December 31, 2016.

At December 31, 2016, 86% of government contracts receivable were due from the City of Seattle under the BIA contract.

Revenue Recognition

Revenue from government contracts is earned when a qualified expense is incurred. Revenue from these contracts is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the year ended December 31, 2016, no adjustments were made.

Event revenue, including booth fees and sponsorships, is recognized when the event takes place.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization incurred an immaterial amount of fundraising expenses in 2016 and, therefore, this classification of expenses is not presented.

Federal Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was November 21, 2017.

Note 2. Lease Obligation

The Organization leases its facilities under a noncancelable operating lease expiring on April 30, 2019. Rent expense under this lease was \$36,990 for the year ended December 31, 2016.

Future minimum payments under this lease as are follows for the years ending December 31:

2017	\$	38,103
2018		39,252
2019		<u>13,116</u>
	\$	<u>90,471</u>