

UNIVERSITY DISTRICT SERVICE FUND

FINANCIAL REPORT

JUNE 30, 2018

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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 June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the period from January 1, 2017, through June 30, 2018, 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 June 30, 2018, and the changes in its net assets and its cash flows for the period from January 1, 2017, through June 30, 2018, in accordance with accounting principles generally accepted in the United States.

Peterson Sullivan LLP

November 20, 2018

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 263,020
Government contracts receivable	117,712
Prepaid expenses and other assets	<u>11,317</u>
Total assets	<u><u>\$ 392,049</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 77,516
Accrued payroll and related liabilities	<u>10,428</u>
Total current liabilities	87,944
Unrestricted Net Assets	<u>304,105</u>
Total liabilities and net assets	<u><u>\$ 392,049</u></u>

See Notes to Financial Statements

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF ACTIVITIES

For the Period from January 1, 2017, through June 30, 2018

Support and Revenue	
Government contracts - BIA	\$ 1,244,251
Government contracts - other	57,259
Contributions	2,086
Event revenue	449,485
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Total support and revenue	1,753,081
Expenses	
Programs	1,552,514
General and administrative	173,526
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Total expenses	1,726,040
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Change in net assets	27,041
Unrestricted Net Assets, beginning of period	277,064
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Unrestricted Net Assets, end of period	\$ 304,105
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See Notes to Financial Statements

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF FUNCTIONAL EXPENSES

For the Period from January 1, 2017, through June 30, 2018

	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	\$ 53,737	\$ 180,532	\$ 52,555	\$ 67,428	\$ 72,075	\$ 47,862	\$ -	\$ 474,189	\$ 77,680	\$ 551,869
Contractors	432	392,934	9,255	19,899		220,244	80,390	723,154	17,605	740,759
Beautification		167,858						167,858		167,858
Professional fees	821	2,003	975	1,001	668		4,995	10,463	46,521	56,984
Rent and parking	4,892	16,434	4,784	6,138	6,561	2,016		40,825	7,071	47,896
Office support	3,694	7,939	3,088	6,139	5,590	2,278		28,728	11,864	40,592
Equipment rental						34,896		34,896		34,896
Permits and registration		509				26,723		27,232	21	27,253
Taxes						12,752		12,752		12,752
Travel and meetings	95	2,174	44	3,091	1,365			6,769	3,837	10,606
Supplies	1,207	4,032	640	483	100	653		7,115	2,411	9,526
Insurance	563	1,892	551	707	755	3,517		7,985	814	8,799
Printing and publications	2,737					229		2,966	4,247	7,213
Banking fees						6,081		6,081		6,081
Technology and software	845	20	303	224	109			1,501	1,455	2,956
Total expenses	\$ 69,023	\$ 776,327	\$ 72,195	\$ 105,110	\$ 87,223	\$ 357,251	\$ 85,385	\$ 1,552,514	\$ 173,526	\$ 1,726,040

See Notes to Financial Statements

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF CASH FLOWS

For the Period from January 1, 2017, through June 30, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ 27,041
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Changes in assets and liabilities	
Government contracts receivable	(69,113)
Prepaid expenses and other assets	(3,935)
Accounts payable	60,407
Accrued payroll and related liabilities	<u>(9,564)</u>
Net cash flows from operating activities and change in cash and cash equivalents	4,836
Cash and Cash Equivalents, beginning of period	<u>258,184</u>
Cash and Cash Equivalents, end of period	<u><u>\$ 263,020</u></u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

The University District Service Fund doing business as The U District Partnership ("the Organization") 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 the Organization 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. During the period from January 1, 2017, through June 30, 2018, the Organization earned \$1,244,251 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 May, 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.

The Organization changed its fiscal year end from December 31 to June 30 and, therefore, these financial statements are presented for the period from January 1, 2017, to June 30, 2018. During this period, the Organization organized two University District Streetfairs.

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 June 30, 2018.

At June 30, 2018, 92% 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 period from January 1, 2017, through June 30, 2018, 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 expense in the period from January 1, 2017, through June 30, 2018; 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 20, 2018.

Note 2. Lease Obligation

The Organization leases its facilities under a noncancelable operating lease, entered into in February 2018 and expiring in January 2021. Rent expense under this lease (and other operating leases) was \$57,338 for the period from January 1, 2017, through June 30, 2018.

Future minimum payments under this lease are as follows for the years ending June 30:

2019	\$	33,883
2020		34,894
2021		<u>20,706</u>
	\$	<u><u>89,483</u></u>