

UNIVERSITY DISTRICT SERVICE FUND

FINANCIAL REPORT

JUNE 30, 2019

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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, 2019, 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 June 30, 2019, 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 5, 2019

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$	270,105
Government contracts receivable		96,130
Insurance claim receivable		50,650
Prepaid expenses and other assets		12,718

Total assets	\$	<u>429,603</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	39,572
Accrued payroll and related liabilities		14,751

Total current liabilities		54,323
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Net Assets without Donor Restrictions		<u>375,280</u>
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Total liabilities and net assets	\$	<u>429,603</u>
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See Notes to Financial Statements

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

Support and Revenue	
Government contracts - BIA	\$ 891,300
Government contracts - other	22,000
Contributions	16,239
Event revenue	290,238
Gain on insurance claim recovery	11,493
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Total support and revenue	1,231,270
Expenses	
Programs	1,002,295
General and administrative	157,800
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Total expenses	1,160,095
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Change in net assets	71,175
Net Assets without Donor Restrictions, beginning of year	<hr/> 304,105
Net Assets without Donor Restrictions, end of year	<hr/> <hr/> \$ 375,280

See Notes to Financial Statements

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Expenses									General and Administrative	Total
	Community Engagement	Cleaning and Public Safety	Marketing	Events and Activation	Economic Development	Urban Vitality	Street Fair	Other Programs	Total Programs		
Personnel expenses	\$ 65,863	\$ 130,612	\$ 41,206	\$ 11,699	\$ 115,486	\$ 28,630	\$ 28,398	\$ -	\$ 421,894	\$ 45,566	\$ 467,460
Contractors		232,196	25,574				40,079	39,856	337,705		337,705
Professional fees	2,208				12,000		77,700		91,908	83,003	174,911
Rent and parking	7,182	14,242	4,493	1,276	12,593	3,122	3,097		46,005	4,969	50,974
Beautification		33,813							33,813		33,813
Office support	1,156	6,062	3,025		1,862	1,759			13,864	12,154	26,018
Equipment rental							18,463		18,463		18,463
Permits and registration							14,572		14,572		14,572
Technology and software	3,632						593		4,225	5,996	10,221
Supplies	593						4,530		5,123	3,473	8,596
Insurance	731	1,449	457	130	1,281	318	3,305		7,671	461	8,132
Travel and meetings	223				596		591		1,412	2,178	3,590
Banking fees							3,483		3,483		3,483
Taxes							2,157		2,157		2,157
Total expenses	\$ 81,588	\$ 418,374	\$ 74,755	\$ 13,105	\$ 143,820	\$ 33,829	\$ 196,968	\$ 39,856	\$ 1,002,295	\$ 157,800	\$ 1,160,095

See Notes to Financial Statements

UNIVERSITY DISTRICT SERVICE FUND

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

Cash Flows from Operating Activities	
Change in net assets	\$ 71,175
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Changes in assets and liabilities	
Government contracts receivable	21,582
Insurance claim receivable	(50,650)
Prepaid expenses and other assets	(1,401)
Accounts payable	(37,944)
Accrued payroll and related liabilities	<u>4,323</u>
Net cash flows from operating activities and change in cash and cash equivalents	7,085
Cash and Cash Equivalents, beginning of year	<u>263,020</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 270,105</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 year ended June 30, 2019, the Organization earned \$891,300 under this contract. The Organization is currently awaiting Seattle City Council's vote regarding the potential renewal of the BIA contract. As the contract is the Organization's primary source of support and revenue, the outcome will greatly affect its operations. The Seattle City Council's vote is expected to take place in early 2020.

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.

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.

Financial Statement Presentation

The Organization reports information regarding its financial position according to two classes of net assets: without donor restrictions and with donor restrictions. Contributions with donor restrictions that are met in the same year as received are reported as revenues without donor restrictions. The Organization has no net assets with donor restrictions, so this class of net assets is 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, 2019.

At June 30, 2019, 87% 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 June 30, 2019, 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 statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel expenses, professional fees, office support, and technology and software are allocated based on estimates of time and effort. Rent and parking as well as insurance are allocated based on an estimated use of square footage. The Organization incurred an immaterial amount of fundraising expense in the year ended June 30, 2019; 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.

Recent Accounting Pronouncement Adopted

During the year ended June 30, 2019, the Organization adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively.

Subsequent Events

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was November 5, 2019.

Note 2. Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets and reserves sufficient to cover at least 60 days of general expenditures. This policy was established in order to sustain operations through delays in payments of committed funding and to accept reimbursable contracts and grants with the BIA and other organizations without jeopardizing ongoing operations. Financial assets in excess of daily cash requirements are invested in savings accounts (cash and cash equivalents).

The following table reflects the Organization's financial assets as of June 30, 2019, available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	\$	270,105
Government contracts receivable		96,130
Insurance claim receivable		50,650
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	\$	416,885
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Note 3. Lease Obligation

The Organization previously leased its facilities under a noncancelable operating lease originally entered into in February 2018 and expiring in January 2021. In January 2019, the Organization's facilities were destroyed by a fire, leaving it without facilities from January to March 2019. In addition, a majority of their supplies and other non-capitalized office equipment were lost in the fire, which will be recovered through an insurance claim of \$50,650 (collected subsequent to June 30, 2019). The cost of recovering the damaged assets, net of insurance claim, resulted in gain on insurance claim recovery of \$11,493, recognized on the statement of activities.

In April 2019, the Organization entered a new noncancelable facilities lease which expires in January 2020. In June 2019, the Organization was able to terminate the pre-existing lease. Rent expense under these two leases (and other operating leases) was \$44,530 for the year ended June 30, 2019. Future minimum payments under the new lease total \$24,850 for the year ending June 30, 2020.