

**MIDTOWN COMMUNITY BENEFITS
DISTRICT MANAGEMENT AUTHORITY**

AUDITED FINANCIAL STATEMENTS

Years Ended June 30, 2009 and 2008

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

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To the Board of Directors
Midtown Community Benefits District
Management Authority
Baltimore, Maryland

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Midtown Community Benefits District Management Authority (the "Organization"), as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.
September 16, 2009

CIRCULAR 230 NOTICE. In accordance with Treasury Regulations which became applicable to all tax practitioners as of June 20, 2005, please note that the advice given herein (including any attachments) is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of (i) avoiding tax penalties or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Financial Position
June 30, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash	\$ 117,817	\$ 195,066
Property tax receivable	1,639	67,767
Accounts receivable	1,850	3,049
Prepaid expenses	<u>22,116</u>	<u>18,571</u>
Total Current Assets	<u>143,422</u>	<u>284,453</u>
Property and Equipment		
Machinery and equipment	210,344	144,357
Vehicles	126,829	84,359
Leasehold improvements	<u>3,005</u>	<u>3,005</u>
	340,178	231,721
Less accumulated depreciation	<u>176,995</u>	<u>148,146</u>
Total Property and Equipment	<u>163,183</u>	<u>83,575</u>
Total Assets	<u>\$ 306,605</u>	<u>\$ 368,028</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 19,453</u>	<u>\$ 63,795</u>
Total Current Liabilities	<u>19,453</u>	<u>63,795</u>
Unrestricted Net Assets		
Undesignated	274,312	250,833
Board designated - safety	<u>12,840</u>	<u>53,400</u>
Total Unrestricted Net Assets	<u>287,152</u>	<u>304,233</u>
Total Liabilities and Net Assets	<u>\$ 306,605</u>	<u>\$ 368,028</u>

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Activities
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues		
Property tax surcharge	\$ 897,145	\$ 968,849
Contributions	66,100	63,050
Service fees	8,028	1,619
Interest income	6,901	6,082
Safety patrol income	2,518	-
Gain on sale of equipment	686	-
Miscellaneous income	<u>465</u>	<u>3,550</u>
Total Revenues	<u>981,843</u>	<u>1,043,150</u>
Expenses		
Program Services		
Community safety	120,629	85,656
Parks maintenance	151,744	126,962
Public space maintenance	<u>547,089</u>	<u>579,361</u>
Total Program Services	<u>819,462</u>	<u>791,979</u>
Support Services		
Management and general	<u>179,462</u>	<u>181,111</u>
Total Expenses	<u>998,924</u>	<u>973,090</u>
(Decrease) Increase in Net Assets	(17,081)	70,060
Net Assets - Beginning of Year	<u>304,233</u>	<u>234,173</u>
Net Assets - End of Year	<u>\$ 287,152</u>	<u>\$ 304,233</u>

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (17,081)	\$ 70,060
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Depreciation	42,772	23,325
Gain on sale of property and equipment	(686)	-
Changes in assets and liabilities		
Decrease (increase) in property tax receivable	66,128	(67,023)
Decrease in accounts receivable	1,199	17,951
Increase in prepaid expenses	(3,545)	(9,092)
(Decrease) increase in accounts payable and accrued expenses	<u>(44,342)</u>	<u>7,950</u>
Net Cash Provided by Operating Activities	<u>44,445</u>	<u>43,171</u>
Cash Flows from Investing Activities		
Acquisitions of property and equipment	(124,092)	(76,725)
Proceeds from sale of property and equipment	<u>2,398</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(121,694)</u>	<u>(76,725)</u>
Net Decrease in Cash	(77,249)	(33,554)
Cash - Beginning of Year	<u>195,066</u>	<u>228,620</u>
Cash - End of Year	<u>\$ 117,817</u>	<u>\$ 195,066</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 29</u>	<u>\$ -</u>

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Notes to Financial Statements

NOTE A - NATURE OF ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Midtown Community Benefits District Management Authority (the "Organization") was authorized by the city of Baltimore Ordinance No. 613 (the "Ordinance"). The Ordinance became effective July 1, 1995, authorizing a ratifying referendum among property owners and residents of the geographical area of approximately 150 square blocks located in midtown Baltimore City, Maryland.

In June 2008, by resolution of the Mayor and the City Council, the Organization was continued through June 2012.

The primary purpose of the Organization is to provide supplemental community safety services, public space cleaning, and maintenance. These services are funded through property tax surcharges established by the Ordinance and collected by the City of Baltimore on behalf of the Organization.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Recognition of Donor Restricted Grants

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reported period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions

The Organization adopted Statement of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Financial Statement Presentation

The Organization uses SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all demand deposits, money market funds, and cash on hand to be cash and cash equivalents.

Property Tax Receivable

The property tax receivable amount represents property tax surcharges to be collected by the city of Baltimore from the property owners on behalf of the Organization.

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Notes to Financial Statements

NOTE A - NATURE OF ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment, and Depreciation

Property and equipment are carried at cost, if purchased, or fair value, if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of three to five years. The Organization's policy is to capitalize property and equipment in excess of \$1,000.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code.

Estimates

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

Presentation

The Schedules of Functional Expenses include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America, though the Schedules of Functional Expenses are not a required part of the basic financial statements. Accordingly, such supplementary information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

NOTE B - LINE OF CREDIT

The Organization established a \$75,000 secured line of credit with PNC Bank, N.A. Interest is one percent over PNC Bank, N.A.'s prime rate and is collateralized by accounts receivable. The line of credit is used for working capital and advances must be paid back in full within 90 days. As of June 30, 2009 and 2008, there was no balance outstanding.

Total interest expense for the year ended June 30, 2009 and 2008 was \$29 and \$0.

NOTE C - RESTRICTED NET ASSETS

As of June 30, 2009 and 2008, there were no temporarily or permanently restricted net assets.

NOTE D - DONATED SERVICES AND FACILITIES

The Organization received donated services from a variety of unpaid volunteers assisting the Organization in its various functions. No amounts have been recognized in the accompanying Statements of Activities because the criterion for recognition of such volunteer effort under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, has not been satisfied.

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Notes to Financial Statements

NOTE D - DONATED SERVICES AND FACILITIES (CONTINUED)

The Organization occupies a townhouse office located at 1221 North Calvert Street. The townhouse is owned by the University of Baltimore which is one of the community's tax-exempt property owners. No rent is paid by the Organization. The landlord has estimated the approximate fair value of the annual rental to be \$28,200 and \$27,000 for the years ended June 30, 2009 and 2008, respectively, and it is included in contributions and expenses in the Statements of Activities.

NOTE E - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**MIDTOWN COMMUNITY BENEFITS
DISTRICT MANAGEMENT AUTHORITY**

SUPPLEMENTARY INFORMATION

Years Ended June 30, 2009 and 2008



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To the Board of Directors
Midtown Community Benefits
District Management Authority
Baltimore, Maryland

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION

Our report on our audits of the basic financial statements of Midtown Community Benefits District Management Authority for the years ended June 30, 2009 and 2008 appears on page one. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.
September 16, 2009

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MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Schedules of Functional Expenses
Years Ended June 30, 2009 and 2008

	2009				2008		
	Program Services			Total Program Services	Support Services		Total Expenses
	Community Safety	Parks Maintenance	Public Space Maintenance		Management and General	Total Expenses	
Advertising	\$ 42	\$ 196	\$ 696	\$ 934	\$ 89	\$ 1,023	\$ 2,263
Audit fees	504	1,224	4,536	6,264	936	7,200	6,759
Bookkeeping/accounting	647	1,515	5,716	7,878	1,185	9,063	9,087
Computer	27	364	192	583	598	1,181	2,260
Consultants	28	68	3,095	3,191	52	3,243	3,479
Community survey	2,539	-	11,508	14,047	2,877	16,924	-
Depreciation	6,684	-	32,932	39,616	3,156	42,772	23,325
Dues and subscriptions	235	752	1,079	2,066	1,513	3,579	2,983
Employee welfare	14,455	13,758	47,098	75,311	13,896	89,207	96,026
Equipment rental	73	136	4,562	4,771	161	4,932	10,151
Fuel	4,399	262	10,428	15,089	12	15,101	15,516
Fund raising	-	-	-	-	-	-	1,261
Insurance	3,227	5,001	39,489	47,717	3,745	51,462	47,833
Interest	-	-	-	-	29	29	-
Legal fees	-	-	-	-	-	-	5,558
Licenses and permits	-	-	250	250	-	250	585
Meals and entertainment	28	180	346	554	847	1,401	564
Meetings and conferences	93	248	836	1,177	4,507	5,684	4,144
Miscellaneous	780	-	36	816	-	816	5,195
Newsletter	-	-	-	-	408	408	2,239
Office	39	985	1,700	2,724	3,920	6,644	6,962
Payroll service fee	245	596	2,210	3,051	456	3,507	3,353
Payroll taxes	2,469	8,382	23,677	34,528	9,448	43,976	51,090
Postage	68	145	531	744	1,541	2,285	2,551
Printing and photocopying	628	146	784	1,558	1,808	3,366	2,154
Program	4,710	13,087	24,309	42,106	705	42,811	64,978
Rent	2,430	4,710	17,280	24,420	3,780	28,200	27,000
Repairs and maintenance	4,752	1,684	25,633	32,069	1,957	34,026	37,955
Salaries	29,045	89,556	266,451	385,052	119,632	504,684	504,576
Safety patrol	40,560	-	-	40,560	-	40,560	-
Small equipment	-	1,840	-	1,840	-	1,840	1,681
Telephone	1,405	2,935	12,701	17,041	971	18,012	16,447
Training	-	149	-	149	224	373	984
Travel	-	-	-	-	1,009	1,009	1,017
Uniforms	517	3,825	9,014	13,356	-	13,356	13,114
Total	\$ 120,629	\$ 151,744	\$ 547,089	\$ 819,462	\$ 179,462	\$ 998,924	\$ 973,090