

**MIDTOWN COMMUNITY BENEFITS
DISTRICT MANAGEMENT AUTHORITY**

AUDITED FINANCIAL STATEMENTS

Years Ended June 30, 2008 and 2007

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-7
Supplementary Information	
Independent Auditors' Report on Supplementary Information	8
Schedules of Functional Expenses	9



HANDWERGER, CARDEGNA, FUNKHOUSER & LURMAN, P.A.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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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, 2008 and 2007, 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, 2008 and 2007, 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.
November 3, 2008

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, 2008 and 2007

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 195,066	\$ 228,620
Property tax receivable	67,767	744
Accounts receivable	3,049	21,000
Prepaid expenses	<u>18,571</u>	<u>9,479</u>
Total Current Assets	<u>284,453</u>	<u>259,843</u>
Property and Equipment		
Machinery and equipment	144,357	93,384
Vehicles	84,359	58,607
Leasehold improvements	<u>3,005</u>	<u>3,005</u>
	231,721	154,996
Less accumulated depreciation	<u>148,146</u>	<u>124,821</u>
Total Property and Equipment	<u>83,575</u>	<u>30,175</u>
Total Assets	<u>\$ 368,028</u>	<u>\$ 290,018</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 63,795</u>	<u>\$ 55,845</u>
Total Current Liabilities	<u>63,795</u>	<u>55,845</u>
Unrestricted Net Assets		
Undesignated	250,833	234,173
Board designated - safety	<u>53,400</u>	<u>-</u>
Total Unrestricted Net Assets	<u>304,233</u>	<u>234,173</u>
Total Liabilities and Net Assets	<u>\$ 368,028</u>	<u>\$ 290,018</u>

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Activities
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Property tax surcharge	\$ 968,849	\$ 785,460
Contributions	63,050	61,660
Service fees	1,619	11,500
Interest income	6,082	9,676
Miscellaneous income	<u>3,550</u>	<u>1,529</u>
Total Revenues	<u>1,043,150</u>	<u>869,825</u>
Expenses		
Program Services		
Community safety	85,656	80,465
Parks maintenance	126,962	-
Public space maintenance	<u>579,361</u>	<u>590,406</u>
Total Program Services	791,979	670,871
Support Services		
Management and general	<u>181,111</u>	<u>177,743</u>
Total Expenses	<u>973,090</u>	<u>848,614</u>
Increase in Net Assets	70,060	21,211
Net Assets - Beginning of Year	<u>234,173</u>	<u>212,962</u>
Net Assets - End of Year	<u>\$ 304,233</u>	<u>\$ 234,173</u>

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 70,060	\$ 21,211
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	23,325	18,384
Loss on sale of property and equipment	-	3,396
Changes in assets and liabilities		
(Increase) decrease in property tax receivable	(67,023)	15,094
Decrease (increase) in accounts receivable	17,951	(12,411)
Increase in prepaid expenses	(9,092)	(4,262)
Increase in accounts payable and accrued expenses	7,950	49,670
Net Cash Provided by Operating Activities	<u>43,171</u>	<u>91,082</u>
Cash Flows from Investing Activities		
Acquisitions of property and equipment	(76,725)	(21,351)
Proceeds from sale of property and equipment	-	525
Net Cash Used in Investing Activities	<u>(76,725)</u>	<u>(20,826)</u>
Net (Decrease) Increase in Cash	(33,554)	70,256
Cash - Beginning of Year	<u>228,620</u>	<u>158,364</u>
Cash - End of Year	<u>\$ 195,066</u>	<u>\$ 228,620</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ -</u>	<u>\$ 77</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.

Concentration of Risk

At times during the year, the total cash in bank has exceeded the federally insured limits of the Federal Deposit Insurance Corporation ("FDIC"). Management does not feel that the Organization is exposed to significant risk as a result of the concentration.

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Notes to Financial Statements

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

Property Tax Receivable

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

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, 2007, 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, 2008 and 2007, there was no balance outstanding.

Total interest expense for the year ended June 30, 2008 and 2007 was \$0 and \$77.

NOTE C - RENTAL UNDER OPERATING LEASE

The Organization leases a litter vacuum under an operating lease that will expire on December 31, 2008.

MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Notes to Financial Statements

NOTE C - RENTAL UNDER OPERATING LEASE (CONTINUED)

The following is a schedule by years of future minimum rental payments required under the operating lease that has initial or remaining noncancelable lease terms in excess of one year as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 3,344
Total Minimum Payments Required	\$ 3,344

Lease expense relating to this operating lease was \$8,027 for both years ended June 30, 2008 and 2007.

NOTE D - RESTRICTED NET ASSETS

As of June 30, 2008 and 2007, there were no temporarily or permanently restricted net assets.

NOTE E - 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.

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 \$27,000 for both years ended June 30, 2008 and 2007, and it is included in contributions and expenses in the Statements of Activities.

NOTE F - 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, 2008 and 2007



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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, 2008 and 2007 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.
November 3, 2008

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MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Schedules of Functional Expenses
Years Ended June 30, 2008 and 2007

	2008				2007		
	Program Services			Total Program Services	Support Services		Total Expenses
	Community Safety	Parks Maintenance	Public Space Maintenance		Management and General	Total Expenses	
Advertising	\$ 224	\$ 283	\$ 1,438	\$ 1,945	\$ 318	\$ 2,263	\$ 2,585
Audit fees	608	879	4,326	5,813	946	6,759	6,200
Bookkeeping/accounting	818	1,181	5,816	7,815	1,272	9,087	9,062
Computer	111	160	790	1,061	1,199	2,260	6,153
Consultants	313	452	2,227	2,992	487	3,479	-
Depreciation	1,452	-	18,578	20,030	3,295	23,325	18,384
Dues and subscriptions	218	315	1,552	2,085	898	2,983	2,018
Employee welfare	14,157	16,233	52,197	82,587	13,439	96,026	90,058
Equipment rental	-	-	9,602	9,602	549	10,151	8,356
Fuel	4,710	-	10,803	15,513	3	15,516	14,123
Fund raising expenses	-	-	-	-	1,261	1,261	-
Insurance	3,797	6,333	34,343	44,473	3,360	47,833	36,512
Interest	-	-	-	-	-	-	77
Legal fees	556	667	3,557	4,780	778	5,558	102
Licenses and permits	180	-	405	585	-	585	-
Loss on sale of equipment	-	-	-	-	-	-	3,396
Meals and entertainment	-	10	18	28	536	564	-
Meetings and conferences	242	350	1,930	2,522	1,622	4,144	2,775
Miscellaneous	-	-	5,160	5,160	35	5,195	217
Newsletter	178	257	1,266	1,701	538	2,239	6,437
Office	98	380	1,078	1,556	5,406	6,962	5,237
Payroll service fee	302	436	2,146	2,884	469	3,353	2,843
Payroll taxes	2,835	7,043	30,704	40,582	10,508	51,090	44,762
Postage	216	312	1,556	2,084	467	2,551	506
Printing and photocopying	35	50	916	1,001	1,153	2,154	942
Program	17,820	9,855	37,126	64,801	177	64,978	92,080
Rent	2,430	3,510	17,280	23,220	3,780	27,000	27,000
Repairs and maintenance	3,921	1,227	30,367	35,515	2,440	37,955	39,018
Salaries	28,796	70,509	282,362	381,667	122,909	504,576	401,367
Small equipment	9	1,143	138	1,290	391	1,681	3,033
Telephone	1,471	2,619	10,658	14,748	1,699	16,447	16,076
Training	86	125	614	825	159	984	1,807
Travel	-	-	-	-	1,017	1,017	586
Uniforms	73	2,633	10,408	13,114	-	13,114	6,902
Total	\$ 85,656	\$ 126,962	\$ 579,361	\$ 791,979	\$ 181,111	\$ 973,090	\$ 848,614