

**MIDTOWN COMMUNITY BENEFITS  
DISTRICT MANAGEMENT AUTHORITY**

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AUDITED FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

# 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, 2007 and 2006, 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, 2007 and 2006, 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, PA.*

Handwerger, Cardegna, Funkhouser & Lurman, P.A.  
September 25, 2007

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, 2007 and 2006

<u>ASSETS</u>		
	<u>2007</u>	<u>2006</u>
<b>Current Assets</b>		
Cash	\$ 228,620	\$ 158,364
Property tax receivable	744	15,838
Accounts receivable	21,000	8,589
Prepaid expenses	<u>9,479</u>	<u>5,217</u>
<b>Total Current Assets</b>	<u>259,843</u>	<u>188,008</u>
<b>Property and Equipment</b>		
Machinery and equipment	93,384	81,837
Vehicles	58,607	58,606
Leasehold improvements	<u>3,005</u>	<u>3,005</u>
	154,996	143,448
Less accumulated depreciation	<u>124,821</u>	<u>112,319</u>
<b>Total Property and Equipment</b>	<u>30,175</u>	<u>31,129</u>
<b>Total Assets</b>	<u>\$ 290,018</u>	<u>\$ 219,137</u>
<u>LIABILITIES AND NET ASSETS</u>		
	<u>2007</u>	<u>2006</u>
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 55,845</u>	<u>\$ 6,175</u>
<b>Total Current Liabilities</b>	<u>55,845</u>	<u>6,175</u>
<b>Net Assets</b>		
Unrestricted	<u>234,173</u>	<u>212,962</u>
<b>Total Net Assets</b>	<u>234,173</u>	<u>212,962</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 290,018</u>	<u>\$ 219,137</u>

# MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Activities  
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Property tax surcharge	\$ 785,460	\$ 697,154
Contributions	61,660	48,700
Service fees	11,500	11,202
Interest income	9,676	243
Miscellaneous income	<u>1,529</u>	<u>1,230</u>
<b>Total Revenues</b>	<u>869,825</u>	<u>758,529</u>
<b>Expenses</b>		
<b>Program Services</b>		
Community safety	80,465	78,260
Public space maintenance	<u>590,406</u>	<u>395,581</u>
<b>Total Program Services</b>	670,871	473,841
<b>Support Services</b>		
Management and general	<u>177,743</u>	<u>180,230</u>
<b>Total Expenses</b>	<u>848,614</u>	<u>654,071</u>
<b>Increase in Net Assets</b>	21,211	104,458
<b>Net Assets - Beginning of Year</b>	<u>212,962</u>	<u>108,504</u>
<b>Net Assets - End of Year</b>	<u>\$ 234,173</u>	<u>\$ 212,962</u>

# MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Cash Flows  
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 21,211	\$ 104,458
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	18,384	21,684
Loss on sale of property and equipment	3,396	-
Changes in assets and liabilities		
Decrease in property tax receivable	15,094	14,301
Increase in accounts receivable	(12,411)	(7,944)
(Increase) decrease in prepaid expenses	(4,262)	33
Increase in accounts payable and accrued expenses	<u>49,670</u>	<u>796</u>
<b>Net Cash Provided by Operating Activities</b>	<u>91,082</u>	<u>133,328</u>
<b>Cash Flows from Investing Activities</b>		
Acquisitions of property and equipment	(21,351)	(21,677)
Proceeds from sale of property and equipment	<u>525</u>	<u>-</u>
<b>Net Cash Used in Investing Activities</b>	<u>(20,826)</u>	<u>(21,677)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on notes payable	<u>-</u>	<u>(6,942)</u>
<b>Net Cash Used in Financing Activities</b>	<u>-</u>	<u>(6,942)</u>
<b>Net Increase in Cash</b>	70,256	104,709
<b>Cash - Beginning of Year</b>	<u>158,364</u>	<u>53,655</u>
<b>Cash - End of Year</b>	<u>\$ 228,620</u>	<u>\$ 158,364</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u>\$ 77</u>	<u>\$ 839</u>

# MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

## Notes to Financial Statements

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### **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 2004, by resolution of the Mayor and the City Council, the Organization was continued through June 2008.

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.

#### **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.

#### **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.

# MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

## Notes to Financial Statements

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### **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, 2006, 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, 2007 and 2006, there was no balance outstanding.

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

# MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

## Notes to Financial Statements

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### **NOTE C - RENTAL UNDER OPERATING LEASE**

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

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, 2007:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 8,027
2009	<u>3,344</u>
Total minimum payments required	<u>\$ 11,371</u>

### **NOTE D - RESTRICTED NET ASSETS**

As of June 30, 2007 and 2006, 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 and \$22,000 for the years ended June 30, 2007 and 2006, respectively, and it is included in contributions and expenses in the Statements of Activities.

### **NOTE F - RELATED PARTY**

During the year ended June 30, 2001, the Organization formed a subsidiary corporation known as Midtown Development Corporation, Inc. ("MDC"). The purpose of the new corporation is to acquire and develop property in the surrounding area. The Organization is the sole voting member of the new corporation.

During the year ended June 30, 1996, the Organization formed a subsidiary corporation known as Midtown Community Fund, Inc. (the "Fund"). The purpose of the Fund is to collect tax deductible charitable donations for the benefit of the Organization. The Executive Board of the Organization is also the Board of Directors for the Fund.

### **NOTE G - 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**

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SUPPLEMENTARY INFORMATION

Years Ended June 30, 2007 and 2006



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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, 2007 and 2006 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 25, 2007

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# MIDTOWN COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Schedules of Functional Expenses  
Years Ended June 30, 2007 and 2006

	2007			2006		
	Program Services		Total Program Services	Support Services		Total Expenses
	Community Safety	Public Space Maintenance		Management and General	Total Expenses	
Advertising	\$ 232	\$ 1,028	\$ 1,260	\$ 1,325	\$ 2,585	\$ 3,023
Audit fees	930	4,216	5,146	1,054	6,200	5,800
Bookkeeping/accounting	1,359	6,162	7,521	1,541	9,062	8,951
Computer	650	3,052	3,702	2,451	6,153	4,120
Consultants	-	-	-	-	-	4,800
Depreciation	2,576	11,667	14,243	4,141	18,384	21,684
Dues and subscriptions	29	129	158	1,860	2,018	2,231
Employee welfare	13,825	63,685	77,510	12,548	90,058	49,956
Equipment rental	-	8,027	8,027	329	8,356	10,426
Fuel	5,994	8,109	14,103	20	14,123	10,283
Insurance	4,267	28,376	32,643	3,869	36,512	17,282
Interest	-	-	-	77	77	839
Legal fees	-	102	102	-	102	-
Licenses and permits	-	-	-	-	-	543
Loss on sale of equipment	-	-	-	3,396	3,396	-
Meetings and conferences	56	361	417	2,358	2,775	2,730
Miscellaneous	-	100	100	117	217	1,303
Newsletter	424	3,093	3,517	2,920	6,437	-
Office	225	756	981	4,256	5,237	5,523
Payroll service fee	313	2,047	2,360	483	2,843	2,600
Payroll taxes	3,027	32,328	35,355	9,407	44,762	42,131
Postage	-	14	14	492	506	1,975
Printing and photocopying	93	228	321	621	942	1,380
Program	6,044	78,706	84,750	7,330	92,080	22,170
Recruitment fee	-	-	-	-	-	5,280
Rent	4,050	18,360	22,410	4,590	27,000	22,000
Repairs and maintenance	2,707	34,819	37,526	1,492	39,018	26,375
Salaries	30,003	264,652	294,655	106,712	401,367	360,052
Small equipment	-	2,280	2,280	753	3,033	5,151
Telephone	3,661	10,737	14,398	1,678	16,076	7,388
Training	-	335	335	1,472	1,807	307
Travel	-	135	135	451	586	874
Uniforms	-	6,902	6,902	-	6,902	6,723
Utilities	-	-	-	-	-	171
<b>Total</b>	<b>\$ 80,465</b>	<b>\$ 590,406</b>	<b>\$ 670,871</b>	<b>\$ 177,743</b>	<b>\$ 848,614</b>	<b>\$ 654,071</b>