

Louisville Downtown Management District

Financial Statements

December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Louisville Downtown Management District

We have audited the accompanying statements of financial position of Louisville Downtown Management District as of December 31, 2010 and 2009 and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the district's management. 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 of America. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisville Downtown Management District at December 31, 2010 and 2009 and the results of its activities, 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.

Richardson, Pennington & Skinner, PSC

Louisville, Kentucky
February 3, 2012

Louisville Downtown Management District
Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 861,075	\$ 805,553
Accounts receivable	11,343	11,160
Prepaid expense	15,596	13,329
Total current assets	888,014	830,042
Investments	246,141	-0-
Fixed assets		
Equipment	182,287	174,065
Less accumulated depreciation	(116,618)	(102,544)
Net book value of fixed assets	65,669	71,521
Total Assets	\$ 1,199,824	\$ 901,563
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	72,684	53,846
Accrued expenses	-0-	4,777
Deferred revenue	582,726	427,870
Total current liabilities	655,410	486,493
Net assets		
Unrestricted	524,501	393,192
Temporarily Restricted	19,913	21,878
Total net assets	544,414	415,070
Total Liabilities and Net Assets	\$ 1,199,824	\$ 901,563

See accompanying notes and accountants' report.

**Louisville Downtown Management District
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2010 and 2009**

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Unrestricted revenues and support:				
Assessments	\$ 1,077,274	\$ 972,834	-0-	-0-
Contract and other revenue	256,437	286,374	115	20,285
Interest	7,379	6,680	-0-	-0-
Total revenues and support	1,341,090	1,265,888	115	20,285
Reclassifications-net assets released from restriction by satisfaction of purpose restrictions	2,080	15,407	(2,080)	(15,407)
Total unrestricted revenues and reclassifications	1,343,170	1,281,295	(1,965)	4,878
Expenses				
Security & Maintenance services	472,716	460,029	-0-	-0-
Marketing services	141,572	95,530	-0-	-0-
Operating	597,573	676,470	-0-	-0-
Total expenses	1,211,861	1,232,029	-0-	-0-
Change in net assets	131,309	49,266	(1,965)	4,878
Net assets at beginning of year	393,192	343,926	21,878	17,000
Net assets at end of year	<u>\$ 524,501</u>	<u>\$ 393,192</u>	<u>\$ 19,913</u>	<u>21,878</u>

See accompanying notes and accountants' report.

Louisville Downtown Management District
Statements of Cash Flow
For the Years Ended December 31, 2010 and 2009

	2010	2009
Operating Activities		
Change in net assets	\$ 129,344	\$ 54,144
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	14,074	15,258
Loss on sale of fixed asset	-0-	470
Changes in operating assets and liabilities:		
Accounts receivable	(183)	(9,299)
Prepaid expense	(2,267)	9,531
Accounts payable	18,838	15,369
Accrued expenses	(4,777)	(12,469)
Deferred revenue	154,856	123,289
	309,885	196,293
Net cash provided by operating activities		
Investing Activities		
Purchase of investments	(246,141)	-0-
Payments for property and equipment	(8,222)	(22,453)
	(254,363)	(22,453)
Net cash (used) by investing activities		
Net increase in cash	55,522	173,840
Cash at beginning of year	805,553	631,713
	\$ 861,075	\$ 805,553
Cash at end of year		

See accompanying notes and accountants' report.

Louisville Downtown Management District
Notes to Financial Statements
December 31, 2010 and 2009

NOTE A: BUSINESS AND ACCOUNTING POLICIES

Business and Operations

Louisville Downtown Management District (the District) was established in August 1991, pursuant to an ordinance of the City of Louisville, for the purpose of providing and financing economic improvements that specifically benefit property within the District. Economic improvements include, but are not limited to, promotion, maintenance, security, and administration of the District. The District began providing services in April 1992. The initial boundaries of the district were established by the city ordinance. Effective March 1, 1999, pursuant to a vote by the Board of Alderman, the boundaries of the Management District were expanded from 42 blocks to 61 blocks.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax-Exempt Status

The District has received tax-exempt status under the provisions of Section 115 of the Internal Revenue Code and, consequently, has not provided for federal or state income tax.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of its financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment

Equipment is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of the equipment.

Louisville Downtown Management District
Notes to Financial Statements
December 31, 2010 and 2009

NOTE A: BUSINESS AND ACCOUNTING POLICIES (continued)

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. The financial statements of the District have been prepared in accordance with the requirements of the *Not-For-Profit Entities-Presentation of Financial Statements* Topic of FASB ASC. Under this topic, the District is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the District and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted – Net assets subject to donor imposed restrictions that will be met either by actions of the District or by the passage of time.

Permanently restricted – Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by the District. As of December 31, 2010 and 2009 the district did not have any permanently restricted net assets.

Revenues and gains and losses on investments and other assets are reported as changes in unrestricted net assets unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets.

Advertising and Marketing Expense

Advertising and marketing costs are charged to operations when incurred and are included in operating expenses. Total amounts expensed for 2010 and 2009 totaled \$141,572 and \$95,530 respectively.

NOTE B: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the fiscal year by the expiration of purpose restrictions related to contributions in the amount of \$2,080.

NOTE C: CASH AND INVESTMENTS

The District has cash accounts at a local bank, which is covered by FDIC insurance. Uninsured cash balances as of December 31, 2010 and 2009 totaled \$617,382 and \$552,859 respectively.

**Louisville Downtown Management District
Notes to Financial Statements
December 31, 2010 and 2009**

NOTE D: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>January 1, 2010</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>December 31, 2010</u>
Contract & Other Revenue	\$ 21,878	\$ 115	\$ 2,080	\$ 19,913
	<u>\$ 21,878</u>	<u>\$ 115</u>	<u>\$ 2,080</u>	<u>\$ 19,913</u>
	<u>January 1, 2009</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>December 31, 2009</u>
Contract & Other Revenue	\$ 17,000	\$ 20,285	\$ 15,407	\$ 21,878
	<u>\$ 17,000</u>	<u>\$ 20,285</u>	<u>\$ 15,407</u>	<u>\$ 21,878</u>

NOTE E: ALLOWANCE FOR DOUBTFUL ACCOUNTS

As of year-end, no allowance for doubtful accounts had been established. It is management's opinion that all receivables are collectible.

NOTE F: ASSUMPTION OF ACTIVITIES

Louisville Central Area, Inc. was founded in the late 1950's and the Management District began operations in April 1992. While these were two completely separate legal entities, operationally they performed some similar and over-lapping functions. Beginning January 1, 2007 Louisville Downtown Management District, an exempt organization under Section 115 of the Internal Revenue Code formally came to assume and continue Louisville Central Area's operations, an exempt organization under Section 501c(6) of the Internal Revenue Code. A governance committee has been created to determine where the remaining assets of Louisville Central Area will be disbursed. As of the issuance of this report, no determination has been made regarding those assets.

**Louisville Downtown Management District
Notes to Financial Statements
December 31, 2010 and 2009**

NOTE G: LEASE COMMITMENTS

Effective November 2008, the District signed a 51-month lease agreement for a mailing system. The minimum quarterly usage payments total \$345. Lease expense for the mailing system were \$1,380 and \$1,725 respectively for the periods ended December 31, 2010 and 2009. Effective October 2009, the District signed a 48-month lease agreement for a photocopy machine with the first payment being due at the end of November, 2009. The minimum monthly usage payments total \$238. Lease expense for the photocopy machine for the periods ended December 31, 2010 and 2009 totaled \$2,856 and \$476 respectively.

Future minimum lease payments as of December 31, 2010

<u>For the year Ending December 31,</u>	<u>Amount</u>
2011	\$ 4,236
2012	3,891
2013	<u>2,380</u>
TOTAL	<u>\$ 10,507</u>

NOTE H: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the District in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents: The carrying amounts reported in the statement of net assets approximate fair values because of the short maturities of those instruments.
- Certificates of deposit: The carrying amounts reported are based on quoted market prices for those or similar investments.

The estimated fair values of the District's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 861,075	\$861,075
Certificates of deposit	246,141	246,141

**Louisville Downtown Management District
Notes to Financial Statements
December 31, 2010 and 2009**

NOTE 1: SUBSEQUENT EVENT POLICY

Louisville Downtown Management District has evaluated subsequent events through February 3, 2012, the date which the financial statements were available to be issued.

Supplementary Information

Louisville Downtown Management District
Schedules of Operating, Marketing, Security, Administrative and Promotion Expense
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Salaries and Benefits	371,279	422,598
Safety and Clean Team	480,493	467,328
Payroll Taxes	25,041	29,368
Rent and Utilities	43,202	43,202
Office Supplies and Expense	18,437	16,191
Marketing	78,192	49,803
Promotions	40,581	38,689
Newsletters & Printing	14,346	12,083
Telephone	8,084	7,914
Insurance	9,107	3,815
Accounting and Legal	34,513	38,798
Dues and Subscriptions	3,136	3,002
Automobile Allowance and Expense	6,340	6,295
Postage	2,947	4,778
Entertainment and Meeting Expense	4,746	5,401
Annual Meeting Expense	9,320	15,863
Equipment & Repairs	6,249	11,760
Travel and Training	2,836	3,792
Supplies	38,938	35,621
Loss on disposal of fixed assets	-0-	470
Depreciation	14,074	15,258
	<u>1,211,861</u>	<u>1,232,029</u>

See accompanying notes and accountants' report.