

CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT  
AND MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

WITH INDEPENDENT AUDITORS' REPORT THEREON

**CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT  
AND MANAGEMENT AUTHORITY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Charles Village Community Benefits  
District and Management Authority  
Baltimore, Maryland

We have audited the accompanying statement of financial position of Charles Village Community Benefits District and Management Authority, as of June 30, 2008, and the related statements of unrestricted revenues and expenses and change in net assets, cash flows and functional expenses for the year 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charles Village Community Benefits District and Management Authority, as of June 30, 2008, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*T.R. Klein & Company*

September 12, 2008

Members

American Institute of Certified Public Accountants

Maryland Association of Certified Public Accountants

**CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT  
AND MANAGEMENT AUTHORITY**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2008**

**ASSETS**

Cash	\$ 9,579
Accounts and grants receivable	34,858
Prepaid expenses	5,802
Investment	5,666
Property and equipment, net	<u>18,240</u>
Total assets	<u>74,145</u>

**LIABILITIES  
AND NET ASSETS**

Accounts payable and accrued expenses	29,771
Capital lease payable	3,687
Line of credit	<u>35,000</u>
Total liabilities	<u>68,458</u>
Net assets - Unrestricted - Available for general activities	<u>5,687</u>
Total net assets	<u>5,687</u>
Total liabilities and net assets	<u>\$ 74,145</u>

**CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT  
AND MANAGEMENT AUTHORITY**

**STATEMENT OF UNRESTRICTED REVENUES  
AND EXPENSES AND CHANGE IN NET ASSETS**

**YEAR ENDED JUNE 30, 2008**

Revenues, gains, and other support:	
Public support:	
Contributions and grants	\$ 109,291
Donated goods and services	<u>22,175</u>
	<u>131,466</u>
Other revenue:	
Baltimore City surtax	450,658
Loss on disposal of asset	(421)
Unrealized gain on investments	2,514
Other	<u>15,921</u>
	<u>468,672</u>
Total revenues, gains, and other support	<u>600,138</u>
Expenses:	
Program services - Assistance	509,159
Supporting services - Management and general	<u>125,033</u>
Total expenses	<u>634,192</u>
Change in net assets	(34,054)
Net assets - beginning of year	<u>39,741</u>
Net assets - end of year	<u>\$ 5,687</u>

The accompanying notes are an integral  
part of these financial statements.

**CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT  
AND MANAGEMENT AUTHORITY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2008**

Cash flows from operating activities:	
Change in net assets	\$ (34,054)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	7,097
Loss on disposal of asset	421
Unrealized gain on investment	(2,514)
Increase in accounts receivable	(3,367)
Decrease in accounts payable and accrued expenses	<u>9,112</u>
Net cash used in operating activities	<u>(23,305)</u>
Cash flows from investing activities:	
Capital expenditures	(10,140)
Donation of stock	<u>(3,152)</u>
Net cash used in investing activities	<u>(13,292)</u>
Cash flows from financing activities:	
Principal payments on capital lease	(1,249)
Proceeds from line of credit	<u>35,000</u>
Net cash provided by financing activities	<u>33,751</u>
Net increase in cash	(2,846)
Cash - beginning of year	<u>12,425</u>
Cash - end of year	<u><u>9,579</u></u>
Supplemental cash flow information -	
Cash paid for interest	<u>\$ 1,145</u>

The accompanying notes are an integral part of these financial statements.

**CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT  
AND MANAGEMENT AUTHORITY**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2008**

	<u>PROGRAM SERVICES ASSISTANCE</u>	<u>SUPPORTING SERVICES MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
Payroll, contractual and payroll related expenses	\$ 319,620	\$ 62,836	\$ 382,456
Program costs	47,683	--	47,683
Program vehicle expense	16,427	--	16,427
Professional fees	11,038	17,000	28,038
Donated professional services	--	22,175	22,175
Office expense	9,993	3,193	13,186
Supplies	23,076	1,165	24,241
Printing, publications and website	10,742	--	10,742
Telephone	12,596	2,458	15,054
Occupancy	30,762	7,691	38,453
Insurance	15,720	4,159	19,879
Other	5,825	2,936	8,761
Depreciation	5,677	1,420	7,097
	<u>\$ 509,159</u>	<u>\$ 125,033</u>	<u>\$ 634,192</u>

The accompanying notes are an integral  
part of these financial statements.

# **CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT AND MANAGEMENT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **1 - Summary of Significant Accounting Policies**

#### **Nature of Organization**

Charles Village Community Benefits District and Management Authority (Authority) is a management authority created through voter referendum and city ordinance in 1994. The Authority uses proceeds from surcharges on residential and commercial property owners within the 100-block Greater Charles Village area to augment safety and sanitation services for the community. Additionally, the Authority implements programs in economic revitalization and neighborhood beautification and provides information on city and neighborhood resources to residents, businesses and newcomers.

#### **Donated Services**

The Authority recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers have made significant contributions of their time to the Authority's programs. The value of their services does not meet the requirements for recognition.

#### **Contributions and Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting 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 and reported in the statement of activities and change in net assets as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

# CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT AND MANAGEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 1 - Summary of Significant Accounting Policies (continued)

#### Investments

Investments are carried at market value. Realized and unrealized gains or losses on investments are recorded in the period in which the gains or losses occur. Investments consisted of common stock.

#### Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Authority reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Authority reclassifies temporarily restricted net assets to unrestricted net assets at that time.

#### Property and Equipment

The Authority capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) - forty (40) years using the straight-line method.

#### Accounts Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued.

**CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT  
AND MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**2 - Property and Equipment**

Property and equipment consisted of the following at June 30, 2008:

Auto equipment	\$ 47,206
Office equipment	15,268
	<u>62,474</u>
Accumulated depreciation	44,234
	<u>18,240</u>

**3 - Income Taxes**

The Authority is considered a governmental agency and is exempt from income tax and income tax filing.

**4 - Commitment**

The Authority leases a vehicle under an operating lease expiring in May 2009 with payments of \$ 382 per month. Lease expense was \$ 4,588 for the year ended June 30, 2008.

The facilities are also rented under the terms of an operating lease with monthly payments of \$ 2,550 ending July 31, 2014. The terms of the lease state that if the Authority is not reauthorized to operate, it may terminate the contract with 3 months notice. Rent expense for the year ended June 30, 2008 was \$ 20,967.

Future minimum rentals are as follows for the years ended June 30,:

2009	34,806
2010	30,600
2011	30,600
2012	30,600
2013	30,600
Thereafter	\$ 33,150

**CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT  
AND MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**5 - Capital Lease Payable**

Capital lease payable consisted of the following at June 30, 2008:

Capital lease, 4.62%, monthly principal and interest payments of \$ 130 are due through November 2010, secured by equipment.	<u>\$ 3,687</u>
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Future minimum payments are as follows for the years ended June 30,:

2009	1,430
2010	1,497
2011	760

Equipment financed under capital leases:

Copier	6,974
Less accumulated depreciation	<u>3,487</u>
	<u>3,487</u>

**6 - Retirement Plan**

The Authority began offering a simple IRA plan to employees during the year ended June 30, 2005. Employee's can contribute the maximum allowed by law. The Authority will match employee contributions up to 3% of the employee's gross salary. Retirement expense was \$ 1,834 for the year ended June 30, 2008.

**7 - Donated Services**

The Authority received donated services consisting of the following for the years ended June 30, 2008:

Legal services (46 hours)	<u>\$ 22,175</u>
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**8 - Contingency**

The Authority was named in a lawsuit in which residents sought an injunction to prevent the collection of the surtax on the grounds that the Authority did not have a quorum present at Board meetings when the budget and tax assessments were approved. The Court ruled in favor of the Authority, however, the plaintiffs have filed an appeal.

**CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT  
AND MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**9 - Line of Credit**

The Authority has a line of credit with a limit of \$ 50,000 and an interest rate of prime plus .5%. The balance was \$ 35,000 for the year ended June 30, 2008. Principal and unpaid interest are due June 15, 2010.

**10 - Statements of Functional Expenses**

Management and general expenses include \$ 7,507 of fundraising expenses for the year ended June 30, 2008.

**11 - Use of Estimates in Financial Statements**

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Board of Directors  
Charles Village Community Benefits  
District and Management Authority  
Baltimore, Maryland

In planning and performing our audit of the financial statements of Charles Village Community Benefits District and Management Authority as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Charles Village Community Benefits District and Management Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charles Village Community Benefits District and Management Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Charles Village Community Benefits District and Management Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Charles Village Community Benefits District and Management Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Charles Village Community Benefits District and Management Authority's financial statements that is more than inconsequential will not be prevented or detected by Charles Village Community Benefits District and Management Authority's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### GENERAL

**Observation:** The software package used has the capability to limit a user's access to specific areas and is not being utilized.

**Recommendation:** Management should have the Independent Accountant or a Board member that does not access QuickBooks® change the Administrator password and set-up each staff person needing access to QuickBooks® as a user with a password and limit their access to the area to which the user has authorization; i.e.; at a minimum, prohibiting the editing and deleting of a previously recorded transaction, thereby requiring a journal entry to edit.

Members

EXPENSE ALLOCATION

Observation: Time sheets are not maintained in order to properly allocate salary related expenses between the program function and supporting service.

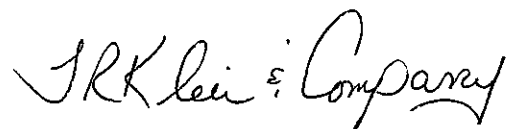
Recommendation: Either time sheets should be maintained or a time study performed on a regular basis in order to properly allocate salary related expenses.

INTERNAL CONTROL DOCUMENTATION

Observation: The outline of the internal control structure is not completely documented. It is difficult to determine the entire substance of the internal control structure unless it is sufficiently documented.

Recommendation: The Organization should institute a program to methodically identify and document its significant accounting and internal control processes in adequate detail.

This communication is intended solely for the information and use of management, audit committee, Board of Directors, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

September 12, 2008