

**HANDWERGER, CARDEGNA, FUNKHOUSER & LURMAN, P.A.**  
**Certified Public Accountants • Business Consultants**

**CHARLES VILLAGE COMMUNITY  
BENEFITS DISTRICT  
MANAGEMENT AUTHORITY**

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AUDITED FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015



# CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

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

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

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of Charles Village Community Benefits District Management Authority (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principle generally accepted in the United States of America.

To the Board of Directors  
Charles Village Community Benefits District  
Management Authority

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page nine are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Handwerker, Cardegna, Funkhouser & Lurman, P.A.*  
Handwerker, Cardegna, Funkhouser & Lurman, P.A.  
Towson, Maryland  
September 28, 2016

# CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Financial Position  
June 30, 2016 and 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash	\$ 34,702	\$ 174,863
Accounts and grants receivable	41,429	52,023
Prepaid expenses	<u>6,654</u>	<u>10,618</u>
<b>Total Current Assets</b>	<u>82,785</u>	<u>237,504</u>
<b>Property and Equipment</b>		
Machinery and equipment	72,744	69,734
Vehicles	105,640	86,175
Leasehold improvements	<u>4,695</u>	<u>4,695</u>
	183,079	160,604
Less accumulated depreciation	<u>153,408</u>	<u>143,128</u>
<b>Total Property and Equipment</b>	<u>29,671</u>	<u>17,476</u>
<b>Total Assets</b>	<u>\$ 112,456</u>	<u>\$ 254,980</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 19,846</u>	<u>\$ 38,467</u>
<b>Total Current Liabilities</b>	<u>19,846</u>	<u>38,467</u>
<b>Unrestricted Net Assets</b>		
Undesignated	<u>92,610</u>	<u>216,513</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 112,456</u>	<u>\$ 254,980</u>

# CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Activities  
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Unrestricted Revenues, Gains, and Other Support</b>		
<b>Public Support</b>		
Contributions and grants	\$ 128,433	\$ 74,645
Donated goods and services	<u>6,048</u>	<u>4,537</u>
<b>Total Public Support</b>	<u>134,481</u>	<u>79,182</u>
<b>Other Revenue</b>		
Baltimore City surtax	716,773	737,770
Program revenue	97,245	75,363
Interest income	<u>97</u>	<u>111</u>
<b>Total Other Revenue</b>	<u>814,115</u>	<u>813,244</u>
<b>Total Unrestricted Revenues, Gains, and Other Support</b>	<u>948,596</u>	<u>892,426</u>
<b>Expenses</b>		
<b>Program Services</b>		
Assistance	<u>976,704</u>	<u>818,968</u>
<b>Support Services</b>		
Management and general	<u>95,795</u>	<u>71,113</u>
<b>Other Expense</b>		
Transfer of camera equipment	<u>-</u>	<u>144,704</u>
<b>Total Expenses</b>	<u>1,072,499</u>	<u>1,034,785</u>
<b>Change in Unrestricted Net Assets</b>	(123,903)	(142,359)
<b>Net Assets - Beginning of Year</b>	<u>216,513</u>	<u>358,872</u>
<b>Net Assets - End of Year</b>	<u>\$ 92,610</u>	<u>\$ 216,513</u>

# CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

Statements of Cash Flows  
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in unrestricted net assets	\$ (123,903)	\$ (142,359)
Adjustments to reconcile change in net assets to net cash (Used in) provided by operating activities		
Depreciation	10,280	23,081
Transfer of camera equipment	-	144,704
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	10,594	(12,977)
Decrease in prepaid expenses	3,964	443
Decrease in accounts payable and accrued expenses	<u>(18,621)</u>	<u>(6,602)</u>
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>(117,686)</u>	<u>6,290</u>
<b>Cash Flows from Investing Activities</b>		
Acquisitions of property and equipment	<u>(22,475)</u>	<u>(6,648)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(22,475)</u>	<u>(6,648)</u>
<b>Net Change in Cash</b>	(140,161)	(358)
<b>Cash - Beginning of Year</b>	<u>174,863</u>	<u>175,221</u>
<b>Cash - End of Year</b>	<u>\$ 34,702</u>	<u>\$ 174,863</u>

# CHARLES VILLAGE 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**

Charles Village Community Benefits District Management Authority (the "Organization") is a management authority created through voter referendum and city ordinance in 1994. The Organization uses proceeds from surcharges on residential and commercial property owners within the geographical area of approximately 100 square blocks located in the Greater Charles Village area (the "District").

In June 2014, by resolution of the Mayor and the City Council, the Organization was continued through June 2018.

The purpose of the Organization is to promote and market the District, provide supplemental safety and sanitation services, provide amenities in public areas, provide park and recreational programs and functions, and provide information on city and neighborhood resources to residents, businesses, and newcomers.

#### **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**

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-225-45, 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 financial statements are presented in accordance with FASB ASC 958-210-45. Under this standard, 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.

#### **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. Management considers the property tax receivable to be fully collectable. The property tax receivable is reflected in accounts and grants receivable shown on the statement of financial position.



# CHARLES VILLAGE 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 substantial expenditures for property and equipment having a useful life of three or more years.

Depreciation expense for the years ended June 30, 2016 and 2015, was \$10,280 and \$23,081, respectively.

#### **Advertising Costs**

The Organization expenses advertising costs as incurred. Advertising costs charged to expenses were \$0 and \$551 for the years ended June 30, 2016 and 2015, respectively.

#### **Income Taxes**

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

#### **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.

#### **Subsequent Events**

Management has evaluated subsequent events through September 28, 2016, the date the financial statements were available to be issued.

### **NOTE B - LINE OF CREDIT**

The Organization has a \$50,000 secured line of credit with M&T Bank. The interest rate is 2.5 percent over M&T Bank's prime rate (six percent and 5.75 percent at June 30, 2016 and 2015). The line of credit is collateralized by the Organization's property and is used for working capital. There was no outstanding balance for both years ended June 30, 2016 and 2015.

There was no interest expense relating to the line of credit for both years ended June 30, 2016 and 2015.

### **NOTE C - RESTRICTED NET ASSETS**

As of June 30, 2016 and 2015, there were no temporarily or permanently restricted net assets.

# CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

## Notes to Financial Statements

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### **NOTE D - DONATED SERVICES AND FACILITIES**

The Organization received donated services consisting of the following for the years ended June 30, 2016 and 2015:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Legal services	<u>\$ 6,048</u>	<u>\$ 4,537</u>
<b>Total</b>	<u><b>\$ 6,048</b></u>	<u><b>\$ 4,537</b></u>

### **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. Management and general expense as a percentage of total expenses for the years ended June 30, 2016 and 2015, was 8.9 percent and 7.9 percent, respectively.

### **NOTE F - COMMITMENT**

The facilities are rented under the terms of an operating lease with monthly payments of \$2,550 ending July 31, 2014. The Organization renewed the lease effective August 1, 2014, for four years ending July 31, 2018, at a rate of \$15 per square foot. The rent increases by 50 cents per square foot on August 1<sup>st</sup> of each subsequent year. Rent expense for the years ended June 30, 2016 and 2015, was \$32,212 and \$31,231, respectively.

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

2017	\$ 32,208
2018	33,215
2019	<u>2,768</u>
<b>Total</b>	<u><b>\$ 68,191</b></u>

### **NOTE G - RETIREMENT PLAN**

The Organization began offering a simple IRA plan to employees during the year ended June 30, 2005. Employees can contribute the maximum allowed by law. The Organization will match employee contributions up to three percent of the employee's gross salary. There was no retirement expense for both years ended June 30, 2016 and 2015.

### **NOTE H - CAMERA EQUIPMENT TRANSFER**

During the year ended June 30, 2015, the Organization transferred camera equipment to an unrelated third party, who will be responsible for monitoring. The equipment was included in fixed assets and depreciated in the prior year. The net value of \$144,704 at June 30, 2015, is included as another expense on the Statement of Activities.

**CHARLES VILLAGE COMMUNITY  
BENEFITS DISTRICT  
MANAGEMENT AUTHORITY**

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SUPPLEMENTARY INFORMATION

Years Ended June 30, 2016 and 2015

# CHARLES VILLAGE COMMUNITY BENEFITS DISTRICT MANAGEMENT AUTHORITY

## Schedules of Functional Expenses June 30, 2016 and 2015

	2016			2015		
	Program Services	Support Services	Total	Program Services	Support Services	Total
	Assistance	Management and General	Expense	Assistance	Management and General	Expense
Payroll, contractual, and payroll related	\$ 778,830	\$ 77,923	\$ 856,753	\$ 626,516	\$ 55,522	\$ 682,038
Contract services	32,982	1,665	34,647	21,007	-	21,007
Program vehicle	21,036	53	21,089	26,028	38	26,066
Professional fees	17,999	1,565	19,564	17,507	1,318	18,825
Donated professional services	-	6,048	6,048	-	4,537	4,537
Office	10,195	1,722	11,917	7,239	1,290	8,529
Supplies	37,945	1,648	39,593	32,258	2,344	34,602
Printing, publications, and website	2,466	157	2,623	2,500	203	2,703
Telephone	4,321	369	4,690	3,386	421	3,807
Occupancy	37,265	3,593	40,858	37,441	3,113	40,554
Insurance	22,427	662	23,089	21,819	561	22,380
Other	1,183	165	1,348	958	994	1,952
Depreciation	10,055	225	10,280	22,309	772	23,081
<b>Total</b>	<b>\$ 976,704</b>	<b>\$ 95,795</b>	<b>\$1,072,499</b>	<b>\$ 818,968</b>	<b>\$ 71,113</b>	<b>\$ 890,081</b>