

**DOWNTOWN MOBILE DISTRICT MANAGEMENT  
CORPORATION**

**FINANCIAL STATEMENTS**

**June 30, 2012**

## **C O N T E N T S**

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of assets, liabilities, and net assets – modified cash basis	2
Statement of revenues, expenses, and other changes in net assets – modified cash basis	3
Notes to financial statements	4 – 7
<b>INDEPENDENT AUDITOR'S REPORT     ON SUPPLEMENTARY INFORMATION</b>	8
<b>SCHEDULE OF OPERATING EXPENSES</b>	9 - 10

GILBERT F. DUKES, JR.  
G. TIMOTHY GASTON  
J. WILBERT JORDAN, JR.  
KERRY L. WEATHERFORD  
JOHN M. SIRMON  
E. LAMAR REEVES  
KEVIN M. RITTELMAYER  
APRIL B. BOUDREAUX  
MARK R. CHAPMAN  
TIMOTHY B. SMITH



SMITH, DUKES & BUCKALEW • LLP  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

3800 AIRPORT BLVD, STE. 101  
P.O. BOX 160427, MOBILE, AL 36616  
PHONE: (251) 343-1200  
FAX: (251) 344-0966

29000 HIGHWAY 98, BLDG B, 1<sup>ST</sup> FLOOR  
P.O. BOX 2483, DAPHNE, AL 36526  
PHONE: (251) 621-9600  
FAX: (251) 621-9608

CAROL E. CROWE

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Downtown Mobile District Management Corporation  
Mobile, Alabama

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of Downtown Mobile District Management Corporation (a nonprofit Corporation) as of June 30, 2012, and the related statement of revenues, expenses, and other changes in net assets – modified cash basis for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the 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.

As described in the Notes to Financial Statements, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Downtown Mobile District Management Corporation as of June 30, 2012, and the changes in net assets for the year then ended, on the basis of accounting described in the Notes to Financial Statements.

*Smith, Dukes and Buckalew, LLP*

September 21, 2012

## **FINANCIAL STATEMENTS**

**DOWNTOWN MOBILE DISTRICT MANAGEMENT CORPORATION**

**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS –  
MODIFIED CASH BASIS**

**June 30, 2012**

**ASSETS**

Current assets	
Cash	\$ 389,493
Certificates of deposit	216,489
Due from Urban Emporium	<u>1,691</u>
	607,673
Property and equipment, net	<u>51,650</u>
Total assets	<u><u>\$ 659,323</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Payroll and withholding taxes	\$ 2,796
Deferred revenues - prepaid assessment income	352,554
Deferred revenues - prepaid meeting sponsors	<u>6,200</u>
Total liabilities	<u>361,550</u>
Net assets - unrestricted	<u>297,773</u>
Total liabilities and net assets	<u><u>\$ 659,323</u></u>

See accompanying notes to financial statements.

**DOWNTOWN MOBILE DISTRICT MANAGEMENT CORPORATION**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MODIFIED CASH BASIS**

**For the Year Ended June 30, 2012**

	<u>Unrestricted</u>
Revenues	
Assessment income	\$ 696,623
Performance contracts:	
Retirement Systems of Alabama	196,800
City of Mobile	77,000
City Main Street Program	96,300
Mobile County	105,600
GSA	15,088
Annual meeting income	39,175
Downtown Mobile Alliance	22,000
Easter in the Square	750
Special projects income	1,500
Late charge income	2,102
Interest income	978
	<u>1,253,916</u>
Expenses	
Business recruitment/retention	161,730
Communications and marketing	147,875
Public space management	687,840
Special projects/landscaping	42,807
Annual meeting expenses	45,853
Professional services	32,848
Operating expenses	180,576
	<u>1,299,529</u>
Increase in net assets	(45,613)
Beginning net assets	<u>343,383</u>
Ending net assets	<u><u>\$ 297,770</u></u>

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Nature of activities

Downtown District Management Corporation (the “Organization”) is a non-profit corporation established pursuant to the Self-Help Business Improvement District Act as a district management corporation representing real property owners within a self-help business improvement district. The purpose of the Organization is to assist the City and County of Mobile, Alabama, the property owners within the downtown Mobile, Alabama district, and the public in promoting economic growth and development, employment and general welfare within, and preserving and enhancing the function and appearance of the geographical area comprising the District. The organization executes programs to improve the local business climate, and provides administrative and other supplemental services to benefit businesses, employees, residents and consumers within the District.

The Organization is supported primarily by annual assessments paid by the property owners within the District. Assessments are calculated based upon the fair market value of the property, as determined by the Mobile County Revenue Commissioner. As provided by State of Alabama law, the assessments shall be enforceable by a lien on the real property.

Other revenues are derived from performance contracts with the City of Mobile, County of Mobile, U.S. General Services Administration, and Retirement Systems of Alabama.

### Summary of Significant Accounting Policies

#### Basis of accounting

The Downtown Mobile District Management Corporation, Inc. prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, certain revenues other than assessments, and the related assets are recognized when collected rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

#### Deferred revenues

Assessment income and annual meeting sponsorships received in advance of the applicable period are recognized during the fiscal period for which they apply.

#### Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

## **Summary of Significant Accounting Policies (continued)**

### **Basis of presentation (continued)**

**Unrestricted Net Assets** – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

**Temporarily Restricted Net Assets** – subject to donor-imposed stipulations that may be fulfilled by actions of the Corporation to meet the stipulations or become unrestricted at the date specified by the donor.

**Permanently Restricted Net Assets** – subject to donor-imposed stipulations that they be retained and invested permanently by the Corporation.

The Corporation has no temporarily or permanently restricted net assets.

### **Cash and cash equivalents**

The Corporation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

### **Property and equipment**

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 the assets, using primarily accelerated methods.

### **Income taxes**

The Corporation is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code, Section 10-3A-1 of the Alabama Code, and Act No. 2004-382 of the Legislature of the State of Alabama. The Corporation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Corporation's tax returns for fiscal years ended June 30, 2010, 2011, and 2012 remain open for examination by the taxing authorities, generally for three years after they were filed.

### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Subsequent events**

The corporation has evaluated subsequent events through September 21, 2012, the date the financial statements were available to be issued. No subsequent events have occurred through that date that would have a material impact on the financial statements.

## Property and Equipment

Property and equipment consisted of the following at June 30:

Furniture and equipment	\$	120,644
Leasehold improvements		61,105
Software		16,695
		<u>198,444</u>
Less Accumulated Depreciation		(146,794)
	\$	<u><u>51,650</u></u>

Depreciation expense was \$25,845 for the year ending June 30, 2012.

## Operating Leases

The Organization leases office space and equipment from unrelated parties under non-cancelable operating leases. Rent expense under these leases was \$24,000 for the year ended June 30, 2012. Future minimum lease payments required under the operating leases are as follows:

Year Ended June 30:		
2013	\$	26,100
2014		26,700
2015		26,700
2016		-
2017		-
Thereafter		-
		<u>-</u>
	\$	<u><u>79,500</u></u>

Property taxes under the office space lease are unpaid for the year ended June 30, 2012 due to late receipt of the billing.

## Retirement Plan

The Organization sponsors a qualified 401(k) retirement plan, which covers substantially all employees. The plan is designed to be a Safe Harbor 401(k) plan. Participants may contribute a portion of their compensation to the plan, up to the maximum amount permitted under Section 401(k) of the Internal Revenue Code. Total employer contributions to the Plan were \$14,937 for the year ended June 30, 2012.

**Related Parties**

The Organization provides administrative office space to a related party and receives payment for these services. Amounts charged and received for these services totaled \$22,000 for the year ended June 30, 2012.

GILBERT F. DUKES, JR.  
G. TIMOTHY GASTON  
J. WILBERT JORDAN, JR.  
KERRY L. WEATHERFORD  
JOHN M. SIRMON  
E. LAMAR REEVES  
KEVIN M. RITTELMAYER  
APRIL B. BOUDREAUX  
MARK R. CHAPMAN  
TIMOTHY B. SMITH



SMITH, DUKES & BUCKALEW • LLP  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

3800 AIRPORT BLVD, STE. 101  
P.O. BOX 160427, MOBILE, AL 36616  
PHONE: (251) 343-1200  
FAX: (251) 344-0966

29000 HIGHWAY 98, BLDG B, 1<sup>ST</sup> FLOOR  
P.O. BOX 2483, DAPHNE, AL 36526  
PHONE: (251) 621-9600  
FAX: (251) 621-9608

CAROL E. CROWE

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Downtown Mobile District Management Corporation

We have audited the financial statements of Downtown District Management Corporation as of and for the year ended June 30, 2012, and our report thereon dated September 21, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses is presented for purposes of additional analysis and is 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.

*Smith, Dukes and Buckalew, LLP*

September 21, 2012

**DOWNTOWN MOBILE DISTRICT MANAGEMENT CORPORATION**

**SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES**

**For the Year Ended June 30, 2012**

Business recruitment / retention:	
Business recruitment / retention	\$ 14,112
Payroll	124,579
Payroll taxes	9,973
Health insurance	6,239
Retirement plan	6,827
Total business recruitment / retention	<u>161,730</u>
Communications and marketing:	
Communications and marketing	20,009
North Pole Stroll	1,516
Easter in the Square	1,923
Payroll	106,527
Payroll taxes	7,166
Health insurance	6,240
Retirement plan	4,494
Total communications and marketing	<u>147,875</u>
Public space management:	
Clean and safe contract expense	553,094
Equipment and supplies	51,351
Payroll	68,339
Payroll taxes	5,200
Health insurance	6,240
Retirement plan	3,616
Total public space management	<u>687,840</u>
Special projects/landscape:	
Special projects/landscaping	37,281
Repairs and maintenance	5,526
Total special projects/landscape	<u>42,807</u>
Professional services:	
Accounting services	6,985
Computer services	14,638
Professional services - miscellaneous	2,773
Legal services	8,452
Total professional services	<u>32,848</u>

**DOWNTOWN MOBILE DISTRICT MANAGEMENT CORPORATION**

**SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES – CONTINUED**

**For the Year Ended June 30, 2012**

Operating expenses:

Main Street Program expenses:

Advertising	31,970
Economic development	12,000
Marketing	1,222
Newsletter	2,566
Parking study	1,998
Website	1,119
Total Main Street Program expenses	<u>50,875</u>

Other Operating expenses:

Bank service charges	1,259
Depreciation and amortization	25,845
Dues and subscriptions	4,596
Education and meetings	33,493
Equipment lease	4,543
Insurance	5,820
Office supplies	11,656
Postage	3,215
Rent expense - office space	24,000
Telephone	7,275
Utilities	8,064
Taxes and licenses	(65)
Total other operating expenses	<u>129,701</u>

Total operating expenses \$ 180,576