

# Financial Statements and Independent Auditors' Report

## Oak Lawn-Hi Line Improvement Corporation

For the years ended December 31, 2020 and 2019



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OAK LAWN-HI LINE IMPROVEMENT CORPORATION

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS	3
NOTES TO THE FINANCIAL STATEMENTS	4 - 6



LANE GORMAN TRUBITT, LLC  
Accountants & Advisors

### Independent Auditors' Report

Management and the Board of Directors  
Oak Lawn-Hi Line Improvement Corporation

We have audited the accompanying statements of cash receipts and cash disbursements of Oak Lawn-Hi Line Improvement Corporation ("OLHLIC") for the years ended December 31, 2020 and 2019 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

### Auditor's 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 of 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 auditor's 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 assessing the 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 reasonable basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash receipts and cash disbursements of OLHLIC for the years ended December 31, 2020 and 2019, in accordance with the cash basis of accounting described in Note 1.

### Emphasis of Matter – Risk

As discussed in Note 4 to the financial statements, the World Health Organization has characterized COVID-19 as a pandemic. While the OLHLIC expects this matter to negatively impact its results, the extent of the impact of the COVID-19 pandemic on the OLHLIC's operational and financial performance will depend on future developments. Our opinion is not modified with respect to that matter.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. These financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

LANE GORMAN TRUBITT, LLC

Dallas, Texas  
February 25, 2021

Oak Lawn-Hi Line Improvement Corporation  
 STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS  
 For the Years Ended December 31,

	2020	2019
<b>CASH RECEIPTS</b>		
Net tax assessment revenue	\$ 441,398	\$ 325,969
Interest income	756	151
Total cash receipts	442,154	326,120
<b>CASH DISBURSEMENTS</b>		
Electricity	16,063	13,471
Finance charges	-	149
General and administrative	193	546
Insurance	313	326
Landscaping - contract services	85,852	67,591
Landscaping - repairs	26,668	26,063
Management fee	19,500	16,500
Professional fees	49,539	12,776
Repairs and maintenance	82,926	93,988
Security	59,903	58,649
Water and sewer	29,987	35,265
Total cash disbursements	370,944	325,324
Excess of cash receipts over cash disbursements	71,210	796
CASH, beginning of year	5,693	4,897
CASH, end of year	\$ 76,903	\$ 5,693

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

Oak Lawn-Hi Line Improvement Corporation  
NOTES TO THE FINANCIAL STATEMENTS

NATURE OF BUSINESS

Oak Lawn-Hi Line Improvement Corporation (“OLHLIC”) is a nonprofit corporation, incorporated in the State of Texas. OLHLIC was organized to assure the beauty, safety, and stability of an area known as the Design District and the surrounding community, all located in the City of Dallas, Texas.

Oak Lawn-Hi Line Improvement District

On March 31, 2009, the owners of real property in the Design District and surrounding community delivered to the City of Dallas (the “City”) a petition to create the Oak Lawn-Hi Line Public Improvement District (the “District”). On June 24, 2009, the City Council of the City of Dallas approved the petition and authorized the creation of the District. The District was renewed through the petition and approval process, effective January 1, 2017, and shall automatically dissolve December 31, 2023, unless the District is renewed again through the petition and approval process, or the District is sooner terminated as provided by law.

The purpose of the District is to provide enhanced security and public safety within the District, litter and graffiti control, operation and maintenance of public improvements, landscape improvements including planting, hardscape and street furniture within public open space and public right of way and related services and improvements that are authorized and approved by the Dallas City Council. The funding of operations, approved by the City, will be paid from assessments on the real property in the District.

Management Contract

On January 1, 2010, OLHLIC entered into a contract with the City whereby OLHLIC provides management, accounting, and other services for the District. This contract was renewed effective January 1, 2017. The City of Dallas during 2020, and Dallas County during 2019 provided assessment collection services for the District and will transfer funds to the depository account of OLHLIC after deducting relevant fees (see Note 1).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

OLHLIC prepares its financial statements on the basis of cash receipts and cash disbursements. Under this basis, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

Revenue

All tax assessment revenue is considered to be available for unrestricted use and is recognized as revenue when received from the taxing authorities. Revenue recognized in 2020 includes \$441,398, collected by Dallas County, and then processed by the City of Dallas and remitted to OLHLIC related to 2019 tax assessments, net of \$6,538 of administrative expenses. Revenue recognized in 2019 includes \$325,969, collected by Dallas County and remitted directly to OLHLIC related to 2018 tax assessments, net of collection fees paid to Dallas County of \$127. The assessment levied is \$.15 per \$100 of appraisal value. Future assessment rates and levies will be set by the Dallas City Council and will not exceed the assessment rate of \$.15 per \$100 of appraisal value. No sales tax is collected by the City of Dallas for 2020 or Dallas County for 2019, or is owed by OLHLIC on the tax assessment revenue.

Additional funding received by OLHLIC in excess of tax assessment revenue would be reported in the accompanying statements of cash receipts and cash disbursements as contributions. No contributions were received in 2020 or 2019. Contributions are received, if applicable, from the majority property owner within the District to cover expenses in excess of cash disbursements approved by the City under the annually approved service plan. These contributions are without donor restrictions, and are recognized as revenue when received.

Oak Lawn-Hi Line Improvement Corporation  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Concentration of Credit Risk

OLHLIC maintains its cash balances in money market accounts at a financial institution in Dallas, Texas, which at times may exceed insured limits. OLHLIC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or its investments.

Federal Income Tax

OLHLIC is exempt from federal income taxes under Section 501(c)(4) of the United States Internal Revenue Code (the "Code") according to the United States Internal Revenue Service determination letter dated October 1985. Accordingly, no provision has been made for federal income tax.

OLHLIC's informational returns filed in the U.S. federal jurisdiction are generally subject to examination for three years after the later of the due date or date of filing. As a result, OLHLIC is no longer subject to income tax examinations by tax authorities for years prior to 2017.

Use of Estimates

In preparing financial statements management is required to make estimates and assumptions that affect the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates.

2. VALUE CHANGES

Value changes occur when a property owner within the District disputes their original tax assessment amount and, as a result of protests between property owners and the Dallas Central Appraisal District, the original assessment is increased or reduced.

3. COMMITMENTS AND CONTINGENCIES

Management Fees (Paid to a Related Party)

Management fees in the amount of \$19,500 and \$16,500 were paid by OLHLIC during each of the years ended December 31, 2020 and 2019, respectively for administration of service delivery and improvements in accordance with the annually approved service plan per the management contract. \$1,500 was payable as of December 31, 2019, but was not settled until after year end, accordingly it was included in the accompanying statement of cash receipts and disbursements for the year ended December 31, 2020. This management contract will continue until the District is dissolved.

Contract

During 2020, OLHLIC signed a contract with a vendor to develop an amenity / loyalty program for used by residents within the area covered by the OLHLIC. The remaining cost of the contract which will be expensed in 2021 is approximately \$40,000.

4. LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year is \$76,903

Oak Lawn-Hi Line Improvement Corporation  
NOTES TO THE FINANCIAL STATEMENTS

5. VIRAL PANDEMIC

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions to OLHLIC in March 2020. Beginning in March, various counties in which OLHLIC operates in had orders for individuals to stay in their homes except for essential purposes (“Shelter-In-Place”). As a result of these restrictions, OLHLIC was closed for a portion of the year, and the management company and vendors of the OLHLIC has been affected by supply chain disruptions and decreased workforce as a result of quarantining and stay-at-home orders. The extent to which COVID-19 will affect OLHLIC will depend on future developments and public health advancements, which are highly uncertain and cannot be predicted with confidence.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 25, 2021, the date the financial statements were available to be issued.