

University Crossing Public Improvement District

Financial Statements and
Independent Auditors' Report
December 31, 2020

UNIVERSITY CROSSING PUBLIC IMPROVEMENT DISTRICT

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Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
Johnna W. McNeal, CPA
Beverly Smith, CPA
James R. Smith, CPA

Members of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA
E.J. Musharbash, CPA
Les S. Malnory, CPA

Independent Auditors' Report

Board of Directors
University Crossing Public Improvement District

We have audited the accompanying financial statements of University Crossing Public Improvement District (the "District"), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities and changes in net assets, statement of functional expenses, and cash flow for the year 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.

Auditor's Responsibility

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 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 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 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 University Crossing Public Improvement District as of December 31, 2020, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "Wiley & Associates, PC". The signature is written in a cursive, flowing style.

Dallas, Texas
February 23, 2021

University Crossing Public Improvement District
Statement of Financial Position
December 31, 2020

Assets

| | |
|----------------------------|----------------------------|
| Current Assets | |
| Cash | \$ 2,008,435 |
| Tax assessments receivable | 869,790 |
| Prepays | <u>1,398</u> |
| Total current assets | <u>2,879,623</u> |
| | |
| Total Assets | <u><u>\$ 2,879,623</u></u> |

Liabilities and Net Assets

| | |
|---------------------------------------|----------------------------|
| Current Liabilities | |
| Tax assessments - deferred revenue | \$ 869,790 |
| Accounts payable | <u>9,650</u> |
| Total current liabilities | <u>879,440</u> |
| | |
| Net Assets | |
| Net assets without donor restrictions | <u>2,000,183</u> |
| Total Net Assets | <u>2,000,183</u> |
| | |
| Total Liabilities and Net Assets | <u><u>\$ 2,879,623</u></u> |

University Crossing Public Improvement District
 Statements of Activities and Change in Net Assets
 For the Year Ended December 31, 2020

| | <u>Net Assets without Donor Restrictions</u> | <u>Net Assets with Donor Restrictions</u> | <u>Total</u> |
|---------------------------------|--|---|---------------------|
| Revenue: | | | |
| Assessments | \$ 909,294 | \$ - | \$ 909,294 |
| Interest and dividend income | 10,419 | - | 10,419 |
| Tax receipt refunds | (5,599) | - | (5,599) |
| Less: City and county fees | (9,835) | - | (9,835) |
| Total Revenue | <u>904,279</u> | <u>-</u> | <u>904,279</u> |
| Expenses | | | |
| Program | 497,472 | - | 497,472 |
| Supporting | 107,820 | - | 107,820 |
| Fundraising | - | - | - |
| Total expenses | <u>605,292</u> | <u>-</u> | <u>605,292</u> |
| Change in Net Assets | 298,987 | - | 298,987 |
| Net Assets at beginning of year | <u>1,701,196</u> | <u>-</u> | <u>1,701,196</u> |
| Net Assets at end of year | <u>\$ 2,000,183</u> | <u>\$ -</u> | <u>\$ 2,000,183</u> |

University Crossing Public Improvement District
Statement of Functional Expenses
For the Year Ended December 31, 2020

| | Program | Management & General | Fundraising | Total |
|---------------------------------|------------|-------------------------|-------------|------------|
| Security | \$ 264,909 | \$ - | \$ - | \$ 264,909 |
| Public area maintenance | 73,702 | - | - | 73,702 |
| Promotion and communication | 51,710 | - | - | 51,710 |
| Improvements | 107,151 | - | - | 107,151 |
| Organization and administration | - | 95,767 | - | 95,767 |
| Audit and insurance | - | 12,053 | - | 12,053 |
| Total functional expenses | \$ 497,472 | \$ 107,820 | \$ - | \$ 605,292 |

University Crossing Public Improvement District
Statement of Cash Flows
For the Year Ended December 31, 2020

| | |
|---|--------------------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ 298,987 |
| Adjustments to reconcile change in net assets to cash provided by (used in) operating activities | |
| Change in operating assets and liabilities | |
| (Increase) decrease in accounts receivable | (58,071) |
| (Increase) decrease in prepaid expenses | (1,398) |
| Increase (decrease) in accounts payable | 9,650 |
| Increase (decrease) in deposits and deferred income | 52,950 |
| Net cash provided by (used in) operating activities | <u>302,118</u> |
| Net increase (decrease) in cash | 302,118 |
| Cash and cash equivalents at beginning of year | <u>1,706,317</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 2,008,435</u></u> |

University Crossing Public Improvement District
Notes to Financial Statements
December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University Crossing Public Improvement District (the “District”) is managed by the UCPID, Inc., a Texas nonprofit corporation, which is responsible for the management of services for the District.

University Crossing Public Improvement District

On April 1, 2013, Prescott Realty Group, Southern Methodist University, Public Service Plumbers, Mockingbird Station, Oncor, Behringer Harvard, Lincoln Property Company, and numerous property owners of University Crossing area delivered to the City of Dallas (the “City”) a petition to establish the District. On June 12, 2013, the Dallas City Council approved the petition and authorized the creation of the District. On May 27, 2020, the District was renewed for another seven years by the City. The District shall automatically dissolve December 31, 2027, unless the District is renewed through the petition and approval process, or the District sooner terminated as provided by law.

The purpose of the District is to supplement and enhance services within the District, but not to replace or supplant existing City services provided within the District. The general nature of the proposed services and improvements to be performed by the District includes police safety patrols for the area, safety awareness and education programs, landscaping, banner program, installation and maintenance of trash containers, promotion of the University Crossing area, implement signage and wayfinding systems, management of new and existing public and green space, and related expenses incurred in establishing, administering and operating the District as authorized by Chapter 372 of the Texas Local Government Code (the “Act”), which allows for the creation of public improvement districts. The funding of operations, approved by the City, will be paid from assessments on the real property within the District. Payment of assessments by other exempt entities (except Southern Methodist University “SMU”) must also be established by contract. SMU has agreed to participate in the District by contract with the UCPID, Inc. through special assessment based on all taxable and tax exempt real property owned by SMU or SMU affiliates within the District.

The assessment levied for 2020 was \$0.10 per \$100 of appraised value as established by the Dallas Central Appraisal District. Future assessment rates will be set by the Dallas City Council and shall not exceed \$0.15 per \$100 of appraised value. The Dallas County Tax Office (“Dallas County”) provides assessment collection services for the District.

Management Contract

Effective January 1, 2014, UCPID, Inc. entered into a contract with the City whereby UCPID, Inc. provides management, accounting, and other services for the District. This contract was

University Crossing Public Improvement District
Notes to Financial Statements
December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management Contract (continued)

renewed and authorized by the City Council on December 1, 2020, will terminated December 31, 2027, or upon dissolution of the District.

Basis of Accounting

The District prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements include only the accounts of the District and do not include any accounts related to the other activities of UCPID, Inc.

Basis of Financial Statements Presentation

For reporting purposes, resources are classified into two net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time or subject to donor-imposed stipulations that are to be maintained permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations, as net assets are released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions. There were no net assets with donor restrictions as of December 31, 2020.

Financial Instruments

The District's financial instruments consist of cash only. It is the Board's opinion that the District is not exposed to significant interest rate or credit risk arising from the instrument. Unless otherwise noted, the fair value of the financial instrument is the market value of the financial instrument, and approximates their carrying value.

Cash & Concentration of Credit Risk

The District maintains its cash balances in a checking account at a national financial institution in Dallas, Texas. Accounts at the Institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Some deposits exceeded the current Federal Deposit Insurance

University Crossing Public Improvement District
Notes to Financial Statements
December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash & Concentration of Credit Risk (continued)

Corporation insurance limitations at December 31, 2020. The District has not incurred losses related to its cash and believes it is not exposed to any significant credit risk on cash.

Functional Allocation of Expenses

The costs of providing the District's various programs, fundraising, management and general have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, fundraising, management and general categories based on the specific identification of costs or approximate percentage of time and other methods.

Property Assessment Assessments Receivable, Assessments Allocable, and Revenue

The District presents an annual Service Plan and Assessment Plan to the City in September of each year. After due process and upon adoption, the City levies a property assessment against property in the District and provides for collection of the assessment to be used by the District for the approved services and improvements to property in the District during the following calendar year.

The District records property assessments as a receivable when levied by the City and a corresponding offset to tax assessments – deferred revenue. The Dallas County Assessment Office (the "County") mails property assessment statements to the property owners in October of each year, which are due and payable on October 1, and are delinquent if not paid on or before January 31. No allowance for uncollectible assessments is established because delinquent assessments are considered fully collectible. As collections are received by the County, they were remitted to the District through September 30, 2018. Effective October 1, 2018, collections were remitted to the City to be remitted to the District upon approved request. Assessments allocable are recognized as revenue without donor restrictions as of January 1 each year to correspond to the approved Service Plan's provision for services and improvements for the calendar year. The 2020 tax assessment levy receivable as of December 31, 2020 is \$869,789.

Federal Income Tax Status

UCPID, Inc. is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal income taxes has been recorded in the accompanying financial statement. In addition, UCPID, Inc. has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of section 509(a) of the Internal Revenue Service Code. There was no unrelated business income or known Federal excise taxes for the year ended December 31, 2020. UCPID Inc.'s federal Return of

University Crossing Public Improvement District
Notes to Financial Statements
December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal Income Tax Status (continued)

Organization Exempt from Income Tax (Form 990) for 2017, 2018, and 2019 are open to examination by the IRS for a period of three years from the date the returns are filed.

Accounting for Uncertainty in Income Taxes

Management has concluded that any assessment provisions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, Accounting for Income Taxes, would be immaterial to the financial statement taken as a whole. Accordingly, the accompanying financial statements do not include any provision of uncertain assessment positions, and no related interest or penalties have been recorded in the operating statements.

Concentration of Revenue Sources

The District's revenue is totally derived from annual assessments levied by the City. The current level of the District's operations and programs may be impacted if the City's annual assessment is not levied.

Use of Estimates

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

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date are total financial assets of \$2,879,623.

The District manages its liquidity and reserves following three guiding principles: operating with a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

3. VALUE CHANGES

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

University Crossing Public Improvement District
Notes to Financial Statements
December 31, 2020

3. VALUE CHANGES (continued)

changes in assessed valuation and related property assessment amounts may change amounts remitted from the County or result in refunds issued by the District.

4. COLLECTION FEES AND INTEREST

Collection fees retained by the County for the 2019 levy in the amount of \$792 are netted against assessment collections received from the County by the City in January 2020 for its collection services during 2019. The 2020 collection fees will be netted against collections received in 2021.

The City reimbursed the City General Fund for administrative costs incurred for the day-to-day accounting responsibilities, administrative, and operational oversight of the District from the assessment collections received from the County in the amount of \$8,699 for the year ended December 31, 2020.

In addition to remitting the net assessment collections received from the County, the City paid the District interest of \$622.

5. SERVICES

Services provided by the District are made in accordance with the annual Service Plan approved by the City as reported in the accompanying statements of activities and changes in net assets.

6. COMMITMENTS

The District enters into various agreements for goods and services in the ordinary course of providing the various programs and other activities.

The District is intending to accumulate funds previously approved for Safety, Improvements, and Landscape and sidewalk improvements for future capital projects, and may utilize some or all of the accumulated funds for improvements and maintenance to the University Crossing Trail and pedestrian bridge improvements during the 2020 year, in addition to improvements for lighting, cross walks and median improvements throughout the District.

7. COVID-19

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect the company.

University Crossing Public Improvement District
Notes to Financial Statements
December 31, 2020

8. SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 23, 2021, the date the financial statements were available to be issued.