



Downtown Dallas, Inc. and Affiliate

**Consolidated Financial Statements
with Supplementary Information
December 31, 2020**

Downtown Dallas, Inc. and Affiliate

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Independent Auditors' Report

The Board of Directors
Downtown Dallas, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Downtown Dallas, Inc. and Affiliate (Organization), which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Downtown Dallas, Inc. and Affiliate as of December 31, 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Assets, Liabilities and Net Assets of The Dallas Downtown Improvement District/Non-District as of December 31, 2020 and the Schedule of Activities of The Dallas Downtown Improvement District/Non-District for the year ended December 31, 2020 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



A Limited Liability Partnership

Arlington, Texas
April 26, 2021

Downtown Dallas, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2020

Assets

Cash and cash equivalents	\$ 7,371,860
Accounts receivable	90,462
Property and equipment, net	<u>988,232</u>
Total assets	<u><u>\$ 8,450,554</u></u>

Liabilities and Net Assets

Accounts payable	\$ 54,154
Accrued expenses	79,621
Other liabilities	223,390
Deferred membership dues	<u>367,500</u>
Total liabilities	724,665
Net assets without donor restrictions	<u>7,725,889</u>
Total liabilities and net assets	<u><u>\$ 8,450,554</u></u>

See notes to consolidated financial statements.

Downtown Dallas, Inc. and Affiliate
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Assessment revenue	\$ 8,554,511	\$ -	\$ 8,554,511
Contributions	4,424	-	4,424
Membership dues	911,628	-	911,628
In-kind contributions	468,414	-	468,414
Meeting fees	254,550	-	254,550
Interest income	17,892	-	17,892
Miscellaneous income	20,825	-	20,825
Net assets released from restrictions	25,000	(25,000)	-
Total support and revenue	10,257,244	(25,000)	10,232,244
Expenses:			
Program Services:			
Safety	3,592,882	-	3,592,882
Services and improvements	2,164,025	-	2,164,025
Communication and events	1,304,050	-	1,304,050
Transportation and improvements	437,626	-	437,626
Capital improvements	475,487	-	475,487
Membership	298,805	-	298,805
Foundation	393,281	-	393,281
Total program services	8,666,156	-	8,666,156
Organization and administration	1,539,403	-	1,539,403
Total expenses	10,205,559	-	10,205,559
Change in net assets	51,685	(25,000)	26,685
Net assets at beginning of year	7,674,204	25,000	7,699,204
Net assets at end of year	\$ 7,725,889	\$ -	\$ 7,725,889

See notes to consolidated financial statements.

Downtown Dallas, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services							Total Program Services	Organization and Administration	Total
	Safety	Services and Improvements	Communication and Events	Transportation and Improvements	Capital Improvements	Membership	Foundation			
	Personnel	\$ 2,471,937	\$ 1,038,221	\$ 518,374	\$ 78,792	\$ 6,572	\$ 94,931			
Direct programming costs	173,320	188,194	14,247	2,916	1,883	835	-	381,395	7,811	389,206
Professional services	187,952	101,336	122,123	14,165	18,186	9,825	-	453,587	201,854	655,441
Facilities	161,098	214,497	72,674	10,666	1,131	14,115	-	474,181	97,723	571,904
Marketing	20,758	13,461	469,367	-	-	6,318	-	509,904	1,007	510,911
Grants	-	-	-	100,000	238,214	-	93,281	431,495	-	431,495
Police department extended patrol	384,211	-	-	-	-	-	-	384,211	-	384,211
Landscape and hardscape maintenance	-	293,490	-	-	-	-	-	293,490	-	293,490
Equipment rental and maintenance	31,420	123,493	14,376	4,118	28,802	2,194	-	204,403	20,646	225,049
Events and meetings	5,495	2,661	35,415	194	-	165,486	-	209,251	1,413	210,664
Office	82,938	71,139	9,888	1,353	177	5,101	-	170,596	42,661	213,257
Depreciation	67,370	77,631	-	-	-	-	-	145,001	19,888	164,889
Sponsorships	6,383	-	35,366	100,000	-	-	-	141,749	-	141,749
Public property improvements	-	39,902	12,220	125,422	180,522	-	300,000	658,066	-	658,066
Taxes	-	-	-	-	-	-	-	-	15,200	15,200
Total expenses by function	\$ 3,592,882	\$ 2,164,025	\$ 1,304,050	\$ 437,626	\$ 475,487	\$ 298,805	\$ 393,281	\$ 8,666,156	\$ 1,539,403	\$ 10,205,559

See notes to consolidated financial statements.

Downtown Dallas, Inc. and Affiliate
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

Cash flows from operating activities:	
Change in net assets	\$ 26,685
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	164,889
Changes in assets and liabilities:	
Accounts receivable	(90,462)
Prepaid expenses	94,027
Accounts payable	16,315
Accrued expenses	(64,076)
Other liabilities	130,532
Unearned assessment revenue	(81,445)
Deferred membership dues	(136,634)
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Net cash provided by operating activities	59,831
Cash flows from investing activities:	
Purchases of property and equipment	(551,754)
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Net change in cash and cash equivalents	(491,923)
Cash and cash equivalents at beginning of year	7,863,783
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Cash and cash equivalents at end of year	\$ 7,371,860
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Cash paid during the year for taxes	\$ 9,859
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See notes to consolidated financial statements.

Downtown Dallas, Inc. and Affiliate

Notes to Consolidated Financial Statements

1. Organization

The accompanying consolidated financial statements include the accounts of Downtown Dallas, Inc. (DDI) and Downtown Dallas, Inc. Foundation (DDIF) (collectively, the Organization). The common objective of these corporations is to support positive development in downtown Dallas (Downtown). The Organization is supported primarily by property assessments received from Dallas County, membership dues, meeting fees and contributions from individuals and other organizations.

The boards of directors of DDI and DDIF overlap.

The Dallas Downtown Improvement District (District) was created under Chapter 372 of the Texas Local Government Code, by the City of Dallas, as a special assessment district. The District was created to supplement existing programs and services in the areas of security, maintenance, capital improvements, communications and events. The Organization receives assessment revenue from the District who collects it as property taxes from tenants in the Downtown area. The amount of assessment depends on the location of the property. At December 31, 2020, the annual assessment equaled .129 for the District service area per \$100 valuation of taxable real property as determined by the Dallas Central Appraisal District. The special assessment is levied each October 1 and is due by the following January 31. The District automatically terminates on December 31, 2027, unless reauthorized by petition from the affected property owners.

The City of Dallas and the Organization renewed a contract whereby the Organization is responsible for general management, operation and maintenance of designated parks in Downtown Dallas approved by the City Council. This contract is effective through September 3, 2030, unless otherwise agreed to in writing by the parties.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Consolidated Financial Statements

The consolidated financial statements include the accounts and transactions of DDI and DDIF. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

Downtown Dallas, Inc. and Affiliate

Notes to Consolidated Financial Statements

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of December 31, 2020, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash and cash equivalents and accounts receivable.

The Organization maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020 the Organization's uninsured bank balances totaled \$6,549,261. Management has placed these funds with high credit quality institutions in order to minimize risk. The Organization has not experienced any losses on such accounts.

Accounts receivable consist of amounts due from the City for assessment revenue. An allowance for doubtful accounts is established by management based on past experience and analysis of current balances. Management did not consider an allowance necessary at December 31, 2020. Amounts are expected to be collected in 2021.

Downtown Dallas, Inc. and Affiliate

Notes to Consolidated Financial Statements

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at the fair value at the date of the gift. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 3 to 10 years, except for leasehold improvements which are depreciated using the lesser of the useful life of the asset or the term of the lease. Maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense when incurred. Because the assets are owned by the City of Dallas, expenditures for public improvements are expensed as incurred.

Other Liabilities

At December 31, 2020, the Organization has accrued \$223,390 in estimated assessment revenue refunds. This amount is included as other liabilities in the accompanying consolidated statement of financial position.

Revenue Recognition

Membership dues are recognized over the applicable membership period. Revenues received for future years are deferred to the appropriate period. All membership dues are recognizable within one year. Assessment revenue collected from Dallas County is recognized in the year in which the related services are provided. Revenue from ticket sales for meetings is recognized when the meeting takes place.

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Donated facilities are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization. No donated services were utilized that met the criteria to be recorded as support on the Organization's consolidated financial statements.

Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated

Downtown Dallas, Inc. and Affiliate

Notes to Consolidated Financial Statements

financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Federal Income Taxes

DDI is exempt from federal income taxes under section 501(c)(6) of the Internal Revenue Code (IRC). DDIF is exempt from federal income taxes under section 501(c)(3) of the IRC and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the year ended December 31, 2020. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements as of and for the year ended December 31, 2020.

During the year ended December 31, 2020, the Organization incurred and paid proxy taxes totaling \$15,200.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as December 31, 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Functional Allocation of Expenses

The costs of providing the programs and supporting activities have been summarized on a functional basis in the consolidated financial statements. Costs are allocated between program services and support services based on management's judgment considering space used, time spent or direct relation to the program or support service benefited.

Concentrations

The Organization receives a substantial amount of revenue through its contract with the City. The loss of all or a part of this contract would have a detrimental impact on the operations of the Organization.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

Downtown Dallas, Inc. and Affiliate

Notes to Consolidated Financial Statements

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the consolidated financial statements.

3. Property and Equipment

Property and equipment consist of the following at December 31, 2020:

Furniture and fixtures	\$ 600,385
Vehicles and equipment	<u>922,491</u>
	1,522,876
Accumulated depreciation	<u>(534,644)</u>
Property and equipment, net	<u><u>\$ 988,232</u></u>

Depreciation expense totaled \$164,889 for the year ended December 31, 2020.

4. Membership Dues

The following table provides information about significant changes in membership dues paid in advance as of December 31, 2020:

Membership dues paid in advance, beginning of year	\$ 504,134
Revenue recognized that was included in membership dues at the beginning of the year	(504,134)
Increase in membership dues due to cash received during the year	<u>367,500</u>
Membership dues paid in advance, end of year	<u><u>\$ 367,500</u></u>

5. Description of Programs

The Organization's expenses during the year ended December 31, 2020 support the following programs:

- Safety – To make Downtown safer and to help people feel more secure Downtown.

Downtown Dallas, Inc. and Affiliate

Notes to Consolidated Financial Statements

- Services and improvements – To make Downtown’s sidewalks, streets, walkways and public spaces clean and visually attractive. To provide funds for Downtown capital improvements, including sidewalk enhancements, parks, landscaped portals and vacant lots, lighting and retail development.
- Communications and events – To make Downtown more appealing to Metroplex residents and employers, visitors and external corporations by supporting (a) development and distribution of Downtown information and (b) special events and promotions.
- Transportation and improvements – To provide Downtown circulator operation and maintenance of mass transportation facilities.
- Capital improvements – Projects to improve public spaces that have long term impact within Downtown Dallas. In addition, funding of matching grants for improvements within the Downtown area.
- Membership – Through the support of its Members, DDI is the principal advocate, champion and steward of Downtown Dallas, effecting change by developing strategies, setting targets and mobilizing resources that:
 - Stimulate a vibrant and sustainable Downtown environment
 - Improve infrastructure
 - Enhance economic competitiveness
 - Create a culturally inclusive urban center
 - Position the area as a global destination
 - Foster innovation and technology in all aspects of the urban experience

6. Commitments

Operating Leases

The Organization leases copier machines pursuant to noncancelable operating lease agreements which expire through 2023. Future minimum annual lease payments required under these leases are as follows for the years ended December 31:

2021	\$	13,678
2022		13,678
2023		10,259

Downtown Dallas, Inc. and Affiliate

Notes to Consolidated Financial Statements

Through December 2020, the Organization received donated rent for its office space (see Note 8). During 2020, the Organization leased office space pursuant to a noncancelable operating lease agreement which expires in 2032. Future minimum annual lease payments required under this lease are as follows for the years ended December 31:

2021	\$	-
2022		-
2023		437,840
2024		446,597
2025		455,529
Thereafter		3,454,260

Lease expense totaled \$36,524 for the year ended December 31, 2020.

7. Retirement Plan

During 2020, DDI maintained a defined contribution plan for employees meeting certain minimum eligibility requirements. Participants may contribute up to an amount allowed by federal limits. DDI's plan allows the Organization to make discretionary contributions of up to 5% of participants' eligible compensation. The Organization's contributions to the plan totaled \$180,275 for the year ended December 31, 2020.

8. In-Kind Contributions and Related Party Transactions

The Organization's offices for Safety and Maintenance were housed in donated facilities that are managed by a board member. The donated rent was valued at \$157,878 for the year ended December 31, 2020 and is included in in-kind contributions and expense in the accompanying consolidated statement of activities and changes in net assets.

The Organization's administrative offices received a contribution of donated rent valued at \$310,536 for the year ended December 31, 2020 that is included in in-kind contributions and expense in the accompanying consolidated statement of activities and changes in net assets.

9. Liquidity and Availability of Resources

As of December 31, 2020, the Organization has \$7,462,322 of financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditure consisting of cash, cash equivalents, and accounts receivable. The Organization manages its liquidity and reserves to maintain adequate liquid assets to fund near-term operating needs and ensure financial assets are available as its general expenditures, liabilities and other obligations come due. During the year ended December 31, 2020, the level of liquidity was managed within the Organization's expectations.

Downtown Dallas, Inc. and Affiliate

Notes to Consolidated Financial Statements

10. Uncertainty

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity in the Dallas area. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

11. Subsequent Events

Management has evaluated subsequent events through the date which the consolidated financial statements were available to be issued and concluded that no additional disclosures are required.

Supplementary Information

Downtown Dallas, Inc. and Affiliate
Schedule of Assets, Liabilities and Net Assets
of The Dallas Downtown Improvement District/Non-District
December 31, 2020

	The Dallas Downtown Improvement District	Non-District	Eliminating	Total
Assets				
Cash and cash equivalents	\$ 1,660,764	\$ 5,711,096	\$ -	\$ 7,371,860
Other receivables	90,462	-	-	90,462
Intercompany receivable	-	26,266	(26,266)	-
Property and equipment, net	887,216	101,016	-	988,232
Total assets	\$ 2,638,442	\$ 5,838,378	\$ (26,266)	\$ 8,450,554
Liabilities and Net Assets				
Accounts payable	\$ 48,619	\$ 5,535	\$ -	\$ 54,154
Accrued expenses	38,224	41,397	-	79,621
Other liabilities	223,390	-	-	223,390
Intercompany payable	26,266	-	(26,266)	-
Deferred membership dues	-	367,500	-	367,500
Total liabilities	336,499	414,432	(26,266)	724,665
Net assets without donor restrictions	2,301,943	5,423,946	-	7,725,889
Total liabilities and net assets	\$ 2,638,442	\$ 5,838,378	\$ (26,266)	\$ 8,450,554

Downtown Dallas, Inc. and Affiliate
Schedule of Activities
of The Dallas Downtown Improvement District/Non-District
Year Ended December 31, 2020

	The Dallas Downtown Improvement District	Non-District	Total
Support and revenue:			
Assessment revenue	\$ 8,554,511	\$ -	\$ 8,554,511
Contributions	-	4,424	4,424
Membership dues	-	911,628	911,628
In-kind contributions	409,130	59,284	468,414
Meeting fees	-	254,550	254,550
Interest income	664	17,228	17,892
Miscellaneous income	38	20,787	20,825
Total support and revenue	8,964,343	1,267,901	10,232,244
Expenses:			
Program Services:			
Safety	3,592,882	-	3,592,882
Services and improvements	2,164,025	-	2,164,025
Communication and events	1,052,005	252,045	1,304,050
Transportation and improvements	437,626	-	437,626
Capital improvements	475,487	-	475,487
Membership	-	298,805	298,805
Foundation	-	393,281	393,281
Total program services	7,722,025	944,131	8,666,156
Organization and administration	949,958	589,445	1,539,403
Total expenses	8,671,983	1,533,576	10,205,559
Net result	\$ 292,360	\$ (265,675)	\$ 26,685