

MCMINNVILLE DOWNTOWN ASSOCIATION

FINANCIAL STATEMENTS

Year Ended September 30, 2018

(See Independent Accountant's Review Report)

MCMINNVILLE DOWNTOWN ASSOCIATION

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Independent Accountant's Review Report

Board of Directors
McMinnville Downtown Association
McMinnville, OR 97128

We have reviewed the accompanying statement of financial position of the McMinnville Downtown Association (a nonprofit organization) as of September 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Bernards & Associates

Bernards & Associates, CPAs, PC
McMinnville, OR
February 8, 2019

MCMINNVILLE DOWNTOWN ASSOCIATION
Statement of Financial Position
September 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 45,888
Accounts receivable	7,593
Prepaid expenses	<u>10,075</u>
Total Current Assets	63,556

Property, Equipment, and Improvements - Net	<u>104,954</u>
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Total Assets	<u><u>\$ 168,510</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 2,492
Gift certificates payable	57,152
Accrued payroll and payroll taxes	3,665
Food stamps payable	1,256
Deferred revenue	<u>3,000</u>
Total Current Liabilities	<u>67,565</u>

Net Assets

Unrestricted

Undesignated	89,697
Designated for operations reserve	10,664
Designated for building reserve	<u>584</u>
Total Unrestricted Net Assets	<u>100,945</u>

Total Liabilities and Net Assets	<u><u>\$ 168,510</u></u>
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See accompanying notes and independent accountant's review report

MCMINNVILLE DOWNTOWN ASSOCIATION
Statement of Activities and Changes in Net Assets
Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Total</u>
Revenues		
Economic Improvement District Assessments	\$ 59,565	\$ 59,565
Membership dues	25,387	25,387
Government contributions	14,000	14,000
Promotion revenues		
Farmers' market	48,871	48,871
Holiday events	23,721	23,721
Annual awards dinner	21,298	21,298
UFO events	19,256	19,256
Concerts in the plaza	13,027	13,027
Downtown beautification	7,767	7,767
Gift certificates sales	1,694	1,694
Other income	10,280	10,280
Building rent	10,080	10,080
In-kind contributions	868	868
Interest income	21	21
Total Revenue	<u>255,835</u>	<u>255,835</u>
Expenses		
Promotion expenses		
Personnel allocation	60,000	60,000
Farmers' market	21,413	21,413
Holiday events	20,675	20,675
Concerts in the plaza	9,923	9,923
Annual awards dinner	7,894	7,894
UFO events	6,431	6,431
Gift certificates	865	865
Downtown festival	1,609	1,609
Total promotion expenses	<u>128,810</u>	<u>128,810</u>
Support services		
General and administrative	125,827	125,827
Building expense	11,463	11,463
Total support services	<u>137,290</u>	<u>137,290</u>
Total Expenses	<u>266,100</u>	<u>266,100</u>
Change in net assets	<u>(10,265)</u>	<u>(10,265)</u>
Net Assets, beginning of year	<u>\$ 111,210</u>	<u>111,210</u>
Net Assets, end of year	<u>\$ 100,945</u>	<u>\$ 100,945</u>

See accompanying notes and independent accountant's review report

MCMINNVILLE DOWNTOWN ASSOCIATION
Statement of Cash Flows
Year Ended September 30, 2018

Cash flows from operating activities	
Decrease in net assets	\$ (10,265)
Adjustments to reconcile decrease in net assets to net cash from operating activities:	
Depreciation	11,263
Net change in operating assets and liabilities	
Accounts receivable	4,315
Prepaid expenses	(10,076)
Accrued liabilities	<u>7,575</u>
Net cash from operating activities	<u>5,487</u>
 Net change in cash and cash equivalents	 5,487
 Cash and cash equivalents, beginning of year	 <u>40,401</u>
 Cash and cash equivalents, end of year	 <u>\$ 45,888</u>

See accompanying notes and independent accountant's review report

MCMINNVILLE DOWNTOWN ASSOCIATION
Notes to Financial Statements
September 30, 2018

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities - The McMinnville Downtown Association (Association) was organized for the purpose of promoting the common economic interests of the commercial enterprises in the downtown area of McMinnville, Oregon. Services provided include a quarterly newsletter, quarterly meetings to address business issues, beautification, maps and directories, advertising and promotional events, community concerts, farmers' and holiday markets, downtown festival and other community events. The Association is supported by assessments levied by the City of McMinnville, membership dues, events, and various member contributions for designations on downtown projects.

Financial Statement Presentation - The Association presents its financial statements in accordance with Statement of Financial Accounting Standards (FASB) Accounting Standards Codification (ASC) Topic 958. Therefore, the Association 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) based upon the existence or absence of donor-imposed restrictions. The Association has also adopted "Accounting for Contributions Received and Contributions Made" as codified in ASC Topic 958. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed or legal restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Association and/or passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed restrictions that will not terminate with the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Board designations of unrestricted net assets serve to specify the use of funds without donor-imposed or legal restrictions. The Association received contributions with donor-imposed restrictions for downtown projects that resulted in temporarily restricted net assets. All of these funds were expended in the current year.

Receivables and Revenue Recognition - Accounts receivable consist primarily of amounts due from members. Revenue is recognized when earned. An allowance for uncollectible amounts is not used nor needed by the Association due to the fact the Association will terminate the Member's membership at that time.

Property, Equipment, and Improvements - Property, equipment, and improvements are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years. The Association follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. When equipment is retired, the cost and accumulated depreciation are eliminated from the accounts with any resulting gain or loss included in income for the year, or added to the cost basis in the case of exchanged assets.

MCMINNVILLE DOWNTOWN ASSOCIATION
Notes to Financial Statements
September 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - continued

Donated Materials and Services - The Association records the value of donated goods when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donate significant amounts of time to the Association's program services.

Income Taxes - The Association's income is exempt from income tax under Internal Revenue Code Section 501(c) 6. As of September 30, 2018, the Association had incurred no interest and penalties related to income taxes.

Retirement Plan - The Association has a Simplified Employee Pension under IRC Sec 408(k). There were no qualifying employees for the year ended September 30, 2018; therefore there were no employer contributions.

Use of Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates in the Association's financial statements are the depreciation methods and lives of property and equipment.

Cash and Cash equivalents - The Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Financial Instruments and Concentrations - Financial instruments which potentially subject the Association to concentration of credit risk consist primarily of cash and receivables. Concentration with respect to cash is limited due to the Association maintaining cash balances that are generally fully insured by the FDIC. Concentrations of credit risk related to receivables are caused by the limited customer base in a small geographical area.

Gift Certificates - The Association sells gift certificates on behalf of its member merchants. The Association retains 5% of the face value for administrative costs and is recognized as revenue at the point of sale. The remaining 95% is reimbursed to the merchants at the time the gift certificates are redeemed by customers within their businesses. Unredeemed gift certificates are classified as a payable under current liabilities. Under Oregon Statutes 646A.274-646A-278, the gift certificates cannot expire, and thus no outstanding balances will be recognized as revenue.

Deferred Revenue - The Association records a liability for prepaid sponsorships and assessments related to the ensuing year.

MCMINNVILLE DOWNTOWN ASSOCIATION
Notes to Financial Statements
September 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - continued

Economic Improvement Assessments - The City of McMinnville levies assessments on behalf of the McMinnville Downtown Association in an area designated as the Downtown Economic Improvement District (EID). Interest is assessed on past due assessments. Since the assessments are not levied directly by the Downtown Association, no receivables are recognized. All assessment revenue is recorded when received from the City. Assessments create a lien on the applicable property, and therefore delinquent amounts are collectible upon the sale of the property. Certain non-profit and residential properties within the District are exempt from assessment.

Subsequent Events - Events through February 8, 2019 have been evaluated by management for disclosure in the financial statements. This is the date when the financial statements were available for issuance.

NOTE 2 - Cash and Cash Equivalents

At September 30, 2018, cash and cash equivalents include interest and noninterest-bearing bank deposits that were not in excess of federally insured limits of \$250,000 per customer relationship pursuant to the Economic Stabilization Act of 2008. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total insured up to at least \$250,000.

Cash and cash equivalents as of September 30 consisted of:

	<u>Interest Rate</u>	<u>Amount</u>
First Federal – Money Market	.03%	\$ 32,532
First Federal – Checking: General	0%	6,639
First Federal – Checking: Credit Card	0%	5,127
Petty Cash	0%	<u>1,590</u>
Total		<u>\$ 45,888</u>

NOTE 3 – Property, Equipment, and Improvements

Property, equipment, and improvements at September 30 consist of the following:

Land	\$ 55,000
Building	123,942
Building improvements	56,490
Equipment	10,504
Furniture and fixtures	23,467
Websites	12,124
Accumulated depreciation	(<u>176,573</u>)
Total	<u>\$ 104,954</u>

For the year ended September 30, 2018, depreciation expense totaled \$11,263.

MCMINNVILLE DOWNTOWN ASSOCIATION
Notes to Financial Statements
September 30, 2018

NOTE 4 - Economic Improvement District Assessments

Based on information from the City of McMinnville, the amount of delinquent EID assessments not yet recognized as income is \$21,565. This amount includes interest charged at 9% per annum.

NOTE 5 – Leases

The Association entered into a 60-month operating lease contract for office equipment starting in August 2017. Total lease expense for the year ended September 30, 2018 was \$2,820. The remaining obligation under this lease is as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2019	\$ 2,820
	2,820
	2,820
	2,820
2023	<u>2,820</u>
Total	<u>\$ 14,100</u>