

***ERIE DOWNTOWN PARTNERSHIP***

***FINANCIAL STATEMENTS***

***Years Ended December 31, 2015 and 2014***

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Erie Downtown Partnership  
Erie, Pennsylvania

We have audited the accompanying financial statements of Erie Downtown Partnership (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 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 judgement, including the assessments 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 Erie Downtown Partnership as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Monahan & Monahan*

Monahan & Monahan, P.C.  
Certified Public Accountants

Erie, Pennsylvania  
April 29, 2016

AUDITED FINANCIAL STATEMENTS

**ERIE DOWNTOWN PARTNERSHIP**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31,

**ASSETS**

	<b>2015</b>	<b>2014</b>
Current assets:		
Cash and cash equivalents	\$ 473,602	\$ 517,784
Accounts receivable	98,279	84,835
Prepaid items	3,269	5,991
Total current assets	575,150	608,610
Property and equipment:	304,360	307,543
Less: Accumulated depreciation	216,864	174,942
Total property and equipment	87,496	132,601
 Total assets	\$ 662,646	\$ 741,211

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$ 9,900	\$ 5,412
Accrued payroll and related items	6,228	7,681
Accrued - other	20,545	16,625
Deferred revenue - grants	23,633	69,405
Total current liabilities	60,306	99,123
Net assets:		
Unrestricted:		
Operating	349,940	388,174
Board designated - reserve	200,000	200,000
Board designated - reserve for fixed asset replacement	52,400	51,200
Temporarily restricted	—	2,714
Total net assets	602,340	642,088
 Total liabilities and net assets	\$ 662,646	\$ 741,211

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

**ERIE DOWNTOWN PARTNERSHIP**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue</b>						
Support:						
Assessments	\$ 351,167	\$ —	\$ 351,167	\$ 353,063	\$ —	\$ 353,063
Special revenues and sponsorships	37,000	—	37,000	40,000	—	40,000
Donated goods and services	64,233	—	64,233	65,296	—	65,296
Contributions and grant revenue	656	83,862	84,518	4,750	37,088	41,838
Other revenue	4,991	—	4,991	3,038	—	3,038
Investment income	1,799	—	1,799	1,816	—	1,816
Net assets released from restrictions	<u>86,576</u>	<u>(86,576)</u>	<u>—</u>	<u>34,374</u>	<u>(34,374)</u>	<u>—</u>
Total support and revenue	<u>546,422</u>	<u>(2,714)</u>	<u>543,708</u>	<u>502,337</u>	<u>2,714</u>	<u>505,051</u>
<b>Expenses</b>						
Program services						
Design	230,435	—	230,435	165,139	—	165,139
Special events	105,837	—	105,837	106,325	—	106,325
Promotion	39,536	—	39,536	39,179	—	39,179
Total program services	<u>375,808</u>	<u>—</u>	<u>375,808</u>	<u>310,643</u>	<u>—</u>	<u>310,643</u>
Supporting services						
Administration	<u>210,148</u>	<u>—</u>	<u>210,148</u>	<u>211,240</u>	<u>—</u>	<u>211,240</u>
Total expenses	<u>585,956</u>	<u>—</u>	<u>585,956</u>	<u>521,883</u>	<u>—</u>	<u>521,883</u>
Other revenues						
Gain (loss) on sale of assets	<u>2,500</u>	<u>—</u>	<u>2,500</u>	<u>5,400</u>	<u>—</u>	<u>5,400</u>
Increase (decrease) in net assets	<b>(37,034)</b>	<b>(2,714)</b>	<b>(39,748)</b>	(14,146)	2,714	(11,432)
Net assets, beginning of year	<u>639,374</u>	<u>2,714</u>	<u>642,088</u>	<u>653,520</u>	<u>—</u>	<u>653,520</u>
Net assets, end of year	<u><b>\$ 602,340</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 602,340</b></u>	<u><b>\$ 639,374</b></u>	<u><b>\$ 2,714</b></u>	<u><b>\$ 642,088</b></u>

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

**ERIE DOWNTOWN PARTNERSHIP**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2015

	<u>Program Delivery</u>			<u>Total Program Services</u>	<u>Support Services</u>	<u>Total Expenses</u>
	<u>Design</u>	<u>Special Events</u>	<u>Promotion</u>		<u>Adminis- tration</u>	
Salaries	\$ 58,774	\$ —	\$ —	\$ 58,774	\$ 114,390	\$ 173,164
Payroll taxes	5,043	—	—	5,043	9,769	14,812
Retirement contributions	—	—	—	—	3,172	3,172
Office expenses/misc.	—	—	—	—	7,900	7,900
Dues and subscriptions	—	—	—	—	2,827	2,827
Communications	—	—	—	—	7,557	7,557
Equipment lease	7,000	—	—	7,000	—	7,000
Insurance	(1,131)	—	—	(1,131)	21,860	20,729
Postage and delivery	—	—	—	—	288	288
Professional fees	—	—	—	—	8,802	8,802
Office space rental	—	—	—	—	13,965	13,965
Training and conferences	—	—	—	—	1,020	1,020
Travel and entertainment	—	—	—	—	1,658	1,658
Hospitality, flowers, gifts	—	—	—	—	7,821	7,821
Special event expense	—	99,387	—	99,387	—	99,387
Street scape	—	—	—	—	—	—
Grants/public enhancements	109,419	6,450	—	115,869	—	115,869
Marketing	—	—	27,536	27,536	1,038	28,574
Maintenance	11,821	—	—	11,821	1,727	13,548
Bank charges	—	—	—	—	144	144
Sponsorship	—	—	12,000	12,000	—	12,000
Bad debts	—	—	—	—	614	614
Depreciation	39,509	—	—	39,509	5,596	45,105
Total expenses	<u>\$ 230,435</u>	<u>\$ 105,837</u>	<u>\$ 39,536</u>	<u>\$ 375,808</u>	<u>\$ 210,148</u>	<u>\$ 585,956</u>

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



**ERIE DOWNTOWN PARTNERSHIP**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2014

	<u>Program Delivery</u>			Total Program Services	<u>Support Services</u>	Total Expenses
	<u>Design</u>	<u>Special Events</u>	<u>Promotion</u>		Adminis- tration	
Salaries	\$ 61,030	\$ —	\$ —	\$ 61,030	\$ 121,542	\$ 182,572
Payroll taxes	5,320	—	—	5,320	9,818	15,138
Retirement contributions	—	—	—	—	2,682	2,682
Office expenses/misc.	—	—	1,750	1,750	5,798	7,548
Dues and subscriptions	—	—	—	—	1,755	1,755
Communications	—	—	105	105	7,027	7,132
Equipment lease	7,000	—	—	7,000	—	7,000
Insurance	(1,075)	—	—	(1,075)	21,664	20,589
Postage and delivery	—	—	—	—	535	535
Professional fees	—	—	—	—	7,889	7,889
Office space rental	—	—	—	—	13,928	13,928
Training and conferences	—	—	—	—	978	978
Travel and entertainment	—	—	—	—	1,430	1,430
Hospitality, flowers, gifts	—	28	—	28	5,112	5,140
Special event expense	—	97,897	—	97,897	120	98,017
Street scape	4,164	—	—	4,164	—	4,164
Grants/public enhancements	36,612	8,400	—	45,012	—	45,012
Marketing	—	—	24,449	24,449	3,044	27,493
Maintenance	10,816	—	—	10,816	1,869	12,685
Bank charges	—	—	—	—	144	144
Sponsorship	—	—	12,000	12,000	—	12,000
Bad debts	—	—	—	—	1,513	1,513
Depreciation	41,272	—	875	42,147	4,392	46,539
Total expenses	<u>\$ 165,139</u>	<u>\$ 106,325</u>	<u>\$ 39,179</u>	<u>\$ 310,643</u>	<u>\$ 211,240</u>	<u>\$ 521,883</u>

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

**ERIE DOWNTOWN PARTNERSHIP**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31,

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	<u>\$ (39,748)</u>	<u>\$ (11,432)</u>
Adjustments to reconcile increase (decrease) in net assets provided (used) by operating activities:		
Depreciation	45,105	46,539
(Gain) loss on sale of assets	(2,500)	(5,400)
(Increase) decrease in accounts receivable	(13,444)	(5,574)
(Increase) decrease in prepaid items	2,722	(2,467)
Increase (decrease) in accounts payable	4,488	(4,503)
Increase (decrease) in accrued payroll and related items	(1,453)	2,355
Increase (decrease) in accrued - other	3,920	(3,520)
Increase (decrease) in deferred revenue - grants	(45,772)	56,905
Total adjustments	<u>(6,934)</u>	<u>84,335</u>
Net cash provided (used) by operating activities	<u>(46,682)</u>	<u>72,903</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of assets	2,500	5,400
Additions to property and equipment	—	(11,458)
Net cash provided (used) in investing activities	<u>2,500</u>	<u>(6,058)</u>
Net increase (decrease) in cash and cash equivalents	(44,182)	66,845
Cash and cash equivalents, beginning of year	<u>517,784</u>	<u>450,939</u>
Cash and cash equivalents, end of year	<u>\$ 473,602</u>	<u>\$ 517,784</u>

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

**ERIE DOWNTOWN PARTNERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

Note 1 - Summary of Significant Accounting Policies

***Nature of Activities***

The Erie Downtown Partnership (the Association) is a neighborhood improvement district, designated by the City Council of the City of Erie, Pennsylvania. The sunset provision of the ordinance creating the Association provides for the termination of the Association on July 1, 2019 (unless re-authorized by City Council of the City of Erie, Pennsylvania or dissolution proposed by the majority of voting board members). The Association serves the property owners of the City of Erie in the downtown district. The downtown district spans from the shoreline of Lake Erie south to the 14<sup>th</sup> street bridges and from the west side of Holland Street to the east side of Sassafras Street.

The Association's purposes are to assist property owners in making improvements and provide increased and expanded services within the established district. This includes, but is not limited to, those services which improve the ability of commercial establishments within the district to serve the consumer and the promotion of activities to bring consumers to the downtown district. Building from these strengths, the Association hopes to further improve the District's image plus expand its market capture to effectively reinvigorate downtown retailing and living and to preserve its key office and entertainment roles.

***Basis of Accounting***

The Association prepares its financial statements and maintains its accounting records on the accrual basis of accounting.

***Basis of Presentation***

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements of Not-For-Profit Organizations*, which requires the Association 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.

***Estimates***

Preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

***Income Tax Status***

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, no provision for federal income taxes has been made.

**ERIE DOWNTOWN PARTNERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

Note 1 - Summary of Significant Accounting Policies....(continued)

***Property and Equipment***

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight-line method is used for financial and income tax reporting purposes. The estimated service lives of the equipment range from five to ten years. Equipment consist of the following as of December 31,:

	<b>2015</b>	<b>2014</b>
Equipment - Urban Design	\$ <b>118,369</b>	\$ 118,369
Furniture - Administration	<b>6,067</b>	6,067
Furniture & Fixtures - Events	<b>11,431</b>	11,431
Computers	<b>26,236</b>	26,236
Equipment	<b>132,406</b>	135,589
Website	<b>9,851</b>	9,851
	<b>\$ 304,360</b>	<b>307,543</b>

Depreciation expense was \$45,105 and \$46,539 for the years ended December 31, 2015 and 2014, respectively.

Generally, acquisitions of equipment in excess of \$2,500 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the accounts and any gain or loss is reflected in changes in unrestricted net assets.

***Donated Goods and Services***

Donated goods and services when received, are reflected as contributions in the accompanying financial statements at their estimated value at the time the contribution is made. In the years ended December 31, 2015 and 2014, the value of donated goods and services was \$64,233 and \$65,296, respectively.

Donated goods and services were received and used as follows for the years ended December 31,:

	<b>2015</b>	<b>2014</b>
Advertising	\$ <b>57,233</b>	58,296
Donated storage space	<b>7,000</b>	7,000
	<b>\$ 64,233</b>	<b>\$ 65,296</b>

The Association also receives a significant amount of donated services related to volunteer activities. No amounts have been recognized in the financial statements for these services and materials because they did not meet the criteria for recognition in the financial statements.

**ERIE DOWNTOWN PARTNERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

Note 1 - Summary of Significant Accounting Policies....(continued)

***Revenue and Accounts Receivable***

The Association levies an assessment of .25% with a maximum of \$3,000 per property parcel on the taxable value of each property owner's real estate within the district. Tax-exempt real estate property owners have an option to sign financial contribution contracts with the Association or make financial contributions. The Association maintains ongoing collection reviews of its accounts receivable and liens are filed on property owners for non-payment of assessments. The receivables are as follows on December 31,:

	<b>2015</b>	<b>2014</b>
Accounts receivable	\$ <b>41,325</b>	\$ 34,692
Liens receivable	<b>56,954</b>	50,143
	<b>\$ 98,279</b>	\$ 84,835

Customer accounts are written off when deemed uncollectible. The bad debts are \$614 and \$1,513 as of December 31, 2015 and 2014, respectively.

***Accounting for Uncertain Tax Positions***

Based on its review, management does not believe the Association has taken any material uncertain tax positions, including any position that would place the Association's exempt status in jeopardy. However, the three most recent tax years remain open for examination by federal and state tax authorities.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Association considers all unrestricted demand deposits, certificates of deposit, and investment instruments purchased with original maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, the Association held no investment instruments with original maturities of three months or less.

***Concentration of Credit Risk***

The Association maintains cash balances in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000. At December 31, 2015 and 2014, the Association's uninsured cash balances amounted to \$223,599 and \$277,094, respectively. The Association's bank assures that deposits for Erie Downtown Partnership will be secured and collateralized in accordance with Act 72 of 1971. The bank pledges securities for public funds greater than \$250,000.

***Functional Expenses***

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based upon estimates made by the Association's management and various internal records.

**ERIE DOWNTOWN PARTNERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

Note 1 - Summary of Significant Accounting Policies....(continued)

***Reclassifications***

Certain items in the 2014 financial statements have been reclassified to correspond to their presentation in the 2015 financial statements. The reclassifications have no effect on the change in net assets reported on the 2014 financial statements.

***Subsequent Events***

The Association has evaluated subsequent events through April 29, 2016, the date which the financial statements were available to be issued.

Note 2 - Board Designated Net Assets

In 2014, the Association approved of designating net assets into new reserve funds. These additional reserve funds allocate assets for specific purposes as determined by the Board of Directors. The balance in board designated funds at December 31, 2015 and 2014 was \$252,400 and \$251,200, respectively.

Note 3 - Commitments

In 2011, the Association leased offices at 140 East Fifth Street. The lease commenced on June 17, 2011 and shall continue through June 30, 2016 with an option to renew for five additional years. Annual base rent is \$13,200, plus responsibility for insurance and other occupancy costs.

Note 4 - Contributions and Grants

The detail of the grants received for the years ended December 31, 2015 and 2014 is as follows:

	<b>2015</b>	2014
<u>Contribution and Grant Revenue</u>		
DCED - Master Planning Grant	\$ 25,000	\$ —
DCED - Facade Grant	33,813	6,188
PA Liquor Control Board Grant	6,450	8,400
ECGRA - Mission Main Street Grant	11,367	17,500
ECGRA - Special Events	2,232	4,750
WPC Tree Gift	—	5,000
Erie Arts & Culture	5,000	—
Other Grants	656	—
	<b>\$ 84,518</b>	<b>\$ 41,838</b>

**ERIE DOWNTOWN PARTNERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

Note 4 - Grants....(continued)

	<b>2015</b>	2014
<u>Deferred Revenue - Grants</u>		
DCED - Master Planning Grant	\$ —	15,593
DCED - Facade Grant	<b>10,000</b>	43,812
ECGRA - Mission Main Street Grant	<b>13,633</b>	10,000
	<b>\$ 23,633</b>	<b>\$ 69,405</b>

Note 5 - Retirement Plan

In October 2008, the Association adopted a 403(b) retirement plan for all eligible employees. Under the plan, the Association, at its discretion, matches 50% of the employees' contributions up to 6% of wages. This amounted to \$3,172 and \$2,682 for the years ended December 31, 2015 and 2014, respectively.

Note 6 - Related Party

During the years 2015 and 2014, the Association received donated storage space from local governmental authorities, with value in the amount of \$7,000, in lieu of funds committed pursuant to a financial contribution contract.

The Association, in its normal course of business, will patronize vendors/members in the downtown district whom provide goods and services at market retail value.

Note 7- Contingent Liability

The Association received a "Notice of Intent to Sue" from a legal counsel, involving a claim of alleged bodily injury, which occurred during a "block party" event organized by the Association and hosted by a local sponsor. On December 13, 2013, the legal counsel served a Writ of Summons on the Association and others in continuation of this claim. A hearing was held on December 9, 2014, where the punitive and presumed damages claimed by the alleged victim were dismissed. In 2015, the Association settled with the plaintiff in the amount of \$3,750, which was covered and paid for by the Association's liability insurance carrier.