

LOVELAND DOWNTOWN PARTNERSHIP

Financial Statements

December 31, 2016 and 2015



Edward Hamilton, CPA

Terri L. Hamilton, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Loveland Downtown Partnership
350 N Cleveland Ave
Loveland, CO 80537

We have audited the accompanying financial statements of Loveland Downtown Partnership (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and 2015 and the related statements of activities 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 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.



Edward Hamilton, CPA

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loveland Downtown Partnership as of December 31, 2016 and 2015, 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.

/s/Source CPAs, LLC
Denver, Colorado
April 12, 2017

LOVELAND DOWNTOWN PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Program Service</u>	<u>Administrative</u>	<u>Over- head</u>	<u>Total Expenses 2015</u>
				-
Advertising	8,500	5,574		14,074
Bank service charges		63		63
Downtown improvements	159,814			159,814
Education & training		3,175		3,175
Insurance		3,503		3,503
Licenses & permits		850		850
Miscellaneous		405		405
Office expense		11,803		11,803
Other expense	3,433		100	3,533
Payroll taxes	1,934	1,934		3,868
Professional Fees		77,366		77,366
Rent			13,409	13,409
Salaries & wages	\$ 25,282	\$ 25,282		\$ 50,564
Supplies		613		613
Telephone			1,021	1,021
Website		1,935		1,935
	<u>198,963</u>	<u>132,503</u>	<u>14,530</u>	<u>345,996</u>
Depreciation			<u>330</u>	<u>330</u>
Total expenses	<u>\$ 198,963</u>	<u>\$ 132,503</u>	<u>\$ 14,860</u>	<u>\$ 346,326</u>

See accompanying notes and independent auditor's report

LOVELAND DOWNTOWN PARTNERSHIP
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Support and revenue		
Government support	\$ 500,000	\$ 500,000
In-kind donations	1,115	4,600
	<u>501,115</u>	<u>504,600</u>
Total support and revenue	501,115	504,600
Expenses		
Program service expenses	147,960	198,963
Administrative expenses	196,387	132,503
Overhead expenses	35,228	14,860
Total expenses	<u>379,575</u>	<u>346,326</u>
Increase in unrestricted net assets	121,540	158,274
Net assets at beginning of period	<u>158,274</u>	<u>-</u>
Net assets at end of period	<u><u>\$ 279,814</u></u>	<u><u>\$ 158,274</u></u>

See accompanying notes and independent accountants' report

LOVELAND DOWNTOWN PARTNERSHIP
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 121,540	\$ 158,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	2,523	330
Change in accounts payable	1,103	4,744
Net cash provided by operating activities	125,166	163,348
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(52,248)	-
In-kind donation of fixed assets	-	(4,600)
Net cash (used) by investing activities	(52,248)	(4,600)
NET INCREASE IN CASH	72,918	158,748
CASH & CASH EQUIVALENTS-BEGINNING OF PERIOD	158,748	-
CASH & CASH EQUIVALENTS-END OF PERIOD	\$ 231,666	\$ 158,748

See accompanying notes and independent accountants' report

LOVELAND DOWNTOWN PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Program Service</u>	<u>Administrative</u>	<u>Over- head</u>	<u>Total Expenses 2016</u>
				-
Advertising	15,750	32,246		47,996
Bank service charges		-		-
Downtown improvements	37,128			37,128
Education & training		5,109		5,109
Dues and subscriptions	-	-	1,495	1,495
Insurance		5,630		5,630
Licenses & permits		321	86	407
Miscellaneous		346	233	579
Office expense		16,843		16,843
Other expense	12,763			12,763
Payroll taxes	7,147	7,147		14,294
Professional Fees	5,174	56,627		61,801
Rent			26,477	26,477
Salaries & wages	69,075	69,075		138,150
Supplies		3,043		3,043
Telephone			2,290	2,290
Travel			466	466
Utilities			1,658	1,658
Website	923	-		923
	<u>147,960</u>	<u>196,387</u>	<u>32,705</u>	<u>377,052</u>
Depreciation			<u>2,523</u>	<u>2,523</u>
Total expenses	<u>\$ 147,960</u>	<u>\$ 196,387</u>	<u>\$ 35,228</u>	<u>\$ 379,575</u>

See accompanying notes and independent auditor's report

LOVELAND DOWNTOWN PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

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LOVELAND DOWNTOWN PARTNERSHIP
Notes to Financial Statements
For the Year Ended December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Loveland Downtown Partnership is a social welfare organization within the meaning of section 501(c)(4) of the Internal Revenue Code. Its objectives are (a) to provide a means for persons interested in the development or redevelopment of the Downtown Area, discuss and act to address issues concerning the Downtown Area; (b) to coordinate activities, projects and programs which will enhance the Downtown Area as a civic, cultural, social, and economic center and a place where people and live, work, conduct business and enjoy a better quality of life; (c) to promote cooperation among the public and private sectors to promote the Downtown Area; and (d) to encourage the commitment of public and private resources to the planning and development or redevelopment and favorable marketing of the Downtown Area.

Basis of Accounting

The Organization is recording and reporting all transactions on the accrual basis (i.e., revenues are recorded when earned and expenses are recorded when incurred).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment is recorded at cost if purchased. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization purchased holiday decorations for \$52,248 during the year. Depreciation was computed using the MACRS method over the estimated useful lives for assets. Depreciation expense for the year ended December 31, 2016 and was \$2,523 and \$330, respectively. The cost of maintenance and repairs is charged to expense when incurred; significant renewals and betterments are capitalized.

LOVELAND DOWNTOWN PARTNERSHIP
Notes to Financial Statements
For the Year Ended December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Financial Statement Presentation

Under FASB SFAS 958, *Not for Profit Entities*, the Organization 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. Currently, all net assets are classified as unrestricted.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of one year or less to be cash equivalents. Cash and cash equivalent accounts includes:

	2016	2015
Checking account	\$ 81,666	\$ 158,748
Savings accounts .3% interest rate	<u>150,000</u>	<u>-</u>
	<u>\$ 231,666</u>	<u>\$ 158,748</u>

Contributions

Under FASB SFAS 958, *Not for Profit Entities*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence or nature of any donor restrictions.

Compensated Absences

It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization’s policy is to recognize the costs of compensated absences when actually paid to employees.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

LOVELAND DOWNTOWN PARTNERSHIP
Notes to Financial Statements
For the Year Ended December 31, 2016 and 2015

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Furniture and equipment	\$ 4,600
Holiday decorations	52,248
Accumulated Depreciation	<u>(2,823)</u>
Total	<u>\$ 53,995</u>

NOTE 3 – LEASES

The Organization has entered into a lease for office space located at 350 N. Cleveland Avenue, Loveland Colorado. The lease began July 1, 2015 and continues through December 31, 2016 (18 months). The Organization has the option to extend the term of the lease for nine additional one year terms, notice of which must be given to the landlord no less than thirty days prior to expiration of the lease term. Rents are due the first day of each calendar month. Rent expense for 2015 related to this lease was \$12,000. Lease obligations under the current lease are:

2017:		\$26,400
Rent escalations under the extensions are:		
2018	1.10	2,420
2019	1.10	2,662
2020	1.03	2,742
2021	1.03	2,824
2022	1.03	2,909
2023	1.03	2,996
2024	1.03	3,086
2025	1.05	3,241

The Organization also 2 leases parking spaces at the office location, for \$25 per month per space. Rent expense for 2016 and 2015 related to this lease was \$ 300 and \$150. The lease is a month to month agreement, cancellable at any time by the lessee.

NOTE 4 – CONCENTRATIONS

All of the Organization’s funding comes from a single source – the service agreement between the Organization and the City of Loveland. The service agreement is has an annual renewal. The Organization is at risk for continued operation if the political or fiscal environment changes, or if the service agreement is not renewed.

NOTE 5 – ADVERTISING COSTS

Advertising costs for the years ended December 31, 2016 and 2015 were \$47,996 and \$14,074, respectively.

LOVELAND DOWNTOWN PARTNERSHIP
Notes to Financial Statements
For the Year Ended December 31, 2016 and 2015

NOTE 6 – SUBSEQUENT EVENTS

Events subsequent to December 31, 2016 have been evaluated through April 12, 2017, the date these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events to be disclosed.