



STATE OF INDIANA
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January 28, 2010

Board of Directors
Downtown South Bend, Inc.
217 S. Michigan St.
South Bend, IN 46601

We have reviewed the audit report prepared by Jurgonski & Fredlake, CPAs, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Downtown South Bend, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

DOWNTOWN SOUTH BEND, INC.

FINANCIAL REPORT

December 31, 2007

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Jurgonski & Fredlake CPAs

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Greg Jurgonski
John A. Fredlake

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Downtown South Bend, Inc.
South Bend, Indiana

We have audited the accompanying statement of financial position of Downtown South Bend, Inc. (a not for profit organization) (the Organization) as of December 31, 2007. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement 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 statement of financial position is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial position referred to above presents fairly, in all material respects, the financial position of Downtown South Bend, Inc. as of December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Jurgonski & Fredlake CPAs

South Bend, Indiana
January 16, 2008

DOWNTOWN SOUTH BEND, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2007

ASSETS

Current assets	
Cash	\$ 124,302
Grants receivable	47,965
Accounts receivable	1,655
Prepaid expenses	<u>4,151</u>
Total current assets	<u>178,073</u>
Furniture and equipment	
Furniture and equipment	49,961
Less accumulated depreciation	<u>(41,974)</u>
Net furniture and equipment	<u>7,987</u>
Other asset	
Judgement receivable	23,000
Less allowance for doubtful accounts	<u>(23,000)</u>
Total other asset	<u> </u>
Total assets	<u>\$ 186,060</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ <u>73,478</u>
Total current liabilities	<u>73,478</u>
Net assets	
Unrestricted	80,150
Temporary restricted	<u>32,432</u>
Total net assets	<u>112,582</u>
Total liabilities and net assets	<u>\$ 186,060</u>

DOWNTOWN SOUTH BEND, INC.

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2007

	(Unaudited)		
	Unrestricted	Temporary Restricted	Total
REVENUE			
TIF and CIP income	\$ 467,568	\$ 32,432	\$ 500,000
Bid income	130,246		130,246
Parking income	54,298		54,298
Special events income	83,576		83,576
Other income	4,948		4,948
Total revenue	740,636	32,432	773,068
EXPENSES	639,641		639,641
Change in net assets	100,995	32,432	133,427
Net assets, beginning of year	(20,845)		(20,845)
Net assets, end of year	<u>\$ 80,150</u>	<u>\$ 32,432</u>	<u>\$ 112,582</u>

DOWNTOWN SOUTH BEND, INC.

STATEMENT OF EXPENSES For the Year Ended December 31, 2007

	<u>(Unaudited)</u>
Salaries and wages	\$ 75,417
Payroll taxes	7,711
Consultations	1,695
Telephone and internet	5,675
Rent and utilities	19,727
Depreciation	3,373
Property taxes	1,011
Liability insurance	2,964
Beautification, maintenance and cleaning expenses	224,731
Hospitality and safety expenses	48,529
Parking lot expenses	23,886
Façade and streetscape expenses	59,848
Marketing and promotions	41,472
Special events	83,875
Advertising	5,162
Web site design and maintenance	4,091
Bad debt expense	8,587
Avon Theatre expenses	3,124
Professional fees	12,235
Accounting services	11,445
Grant distributions	1,500
Bank fees	99
Payroll fees	1,309
Office expense	1,551
Gain on sale of asset	(13,248)
Miscellaneous	3,872
Total expenses	<u>\$ 639,641</u>

DOWNTOWN SOUTH BEND, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

	<u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	<u>\$ 133,427</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Gain on sale of asset	(13,248)
Depreciation	3,373
Change in assets (increase) decrease:	
Grants and accounts receivable	16,328
Prepaid expenses	(4,151)
Change in liabilities decrease:	
Accounts payable	<u>(195,050)</u>
Net adjustments	<u>(192,748)</u>
Net cash used in operating activities	<u>(59,321)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES:	
Purchase of furniture and equipment	(2,453)
Proceeds from sale of asset	<u>135,000</u>
Net cash provided by investing activities	<u>132,547</u>
Net increase in cash	73,226
Cash - beginning	<u>51,076</u>
Cash - ending	<u><u>\$ 124,302</u></u>

DOWNTOWN SOUTH BEND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

Downtown South Bend, Inc. (the Organization) is a not for profit public/private partnership with the City of South Bend working to make downtown a great place to work, play, live and shop. The Organization continually strives to improve our community's long term viability by providing creative marketing and promotions, effective redevelopment and recruitment initiatives, successful business retention programs and visible beautification projects.

The Organization is primarily funded by local government grants and business contributions.

Significant Accounting Policies:

Basis of Accounting – The Organization utilizes the accrual basis of accounting. This method of accounting recognized revenues when earned. Expenses are recognized when incurred.

Financial Statement Presentation – Financial statement presentations follow the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not for Profit Organizations. Under SFAS No. 117, 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.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Contributions - Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

Furniture and Equipment – Furniture and equipment received as a donation is recorded and reflected in the accompanying financial statements at its fair market value as of the date received. These donations of equipment 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 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.

DOWNTOWN SOUTH BEND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Furniture and Equipment (continued) - Purchased equipment is stated at cost. Maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized. When equipment is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed using accelerated methods over the estimated useful lives of the assets.

Grants Receivable – The Organization received grants for reimbursement of expenses incurred. The expenses include general operations, façade and streetscape, beautification, hospitality and safety, and business recruitment. A receivable for the reimbursement of allowable program expenditures due from grantors of \$47,965 has been recorded at December 31, 2007. No allowance for uncollectible grants has been recorded.

Accounts Receivable – Receivables are recorded at the amount the Organization expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that have not been deemed collectible by the time the financial statements are issued. Management feels that all outstanding receivables at year end are collectable and no allowance has been set up.

Note 2. Advertising

The Organization expenses the production cost of advertising the first time the advertising takes place. Advertising expense was \$5,162 for the year ended December 31, 2007.

Note 3. Income Taxes Status

The Organization operates as a not for profit corporation under Internal Revenue code Section 501 (c)(6) and a similar section of the Indiana tax law, which provides exemption from federal and state income taxes.

Note 4. Support from Major Funding Source / Concentration of Credit Risk

The Organization receives a substantial amount of its support from local government. A significant reduction of the level of support, if this were to occur, may have a significant effect on the Organization's programs and activities.

The Organization places its cash with high credit quality financial institutions. However, the amount of credit exposure to a financial institution is in excess of the insurable limits established by law, or \$100,000.

Note 5. Fundraising

The Organization received support from fundraising events totaling \$83,576, and incurred fundraising expenses totaling \$ 83,875, for the year ended December 31, 2007.

Note 6. Restrictions on Assets

Temporarily restricted net assets at December 31, 2007 represent the following:

Façade expenses	<u>\$ 32,432</u>
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DOWNTOWN SOUTH BEND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. Judgement Receivable

From the period of 2004 to 2006, an employee embezzled approximately \$206,343 from the Organization. In July 2007, a judgment was ordered for restitution in the amount of \$23,000 and a prison sentence. The Organization has reserved 100% of this judgment as the collectability is in doubt.