



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B54300

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

January 16, 2020

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

We have reviewed the report of Downtown South Bend, Inc., which was opined upon by Cullar & Associates, P.C., Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Downtown South Bend, Inc. as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Cullar & Associates, P.C., prepared the report in accordance with the guidelines established by the State Board of Accounts.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

*CONSOLIDATED FINANCIAL REPORT*

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**

December 31, 2018 and 2017

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT .....	1-2
 CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statements of financial position.....	3
Consolidated statements of activities .....	4
Consolidated statements of functional expenses.....	5
Consolidated statements of cash flows .....	6
Notes to consolidated financial statements .....	7-12
 SUPPLEMENTARY INFORMATION	
Schedule of local awards .....	13

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Downtown South Bend, Inc. and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from 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 entity'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 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Downtown South Bend, Inc. and Affiliate as of December 31, 2018 and 2017, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Adoption of New Accounting Standard***

As discussed in Note 1 to consolidated financial statements, in 2018 Downtown South Bend, Inc. and Affiliate adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Report on the Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of local awards, as required by *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts, is presented for purposes of additional analysis and is 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Cullen & Associates, P.C.*

South Bend, Indiana  
October 25, 2019

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2018 and 2017

---

	<u>2018</u>	<u>2017</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 130,070	\$ 192,304
Certificates of deposit	63,279	63,279
Grants receivable	110,454	69,688
Accounts receivable	49,554	55,296
Prepaid expenses	5,710	9,862
Property and equipment	<u>79,139</u>	<u>92,921</u>
<i>Total assets</i>	<u>\$ 438,206</u>	<u>\$ 483,350</u>
<b>Liabilities and Net Assets:</b>		
Liabilities:		
Accounts payable	\$ 67,502	\$ 68,884
Accrued liabilities	4,555	839
Agency obligations	-	2,265
Deferred revenues	-	29,778
Outstanding gift certificates	11,320	6,105
Capital lease obligation	<u>8,851</u>	<u>11,424</u>
<i>Total liabilities</i>	<u>92,228</u>	<u>119,295</u>
Net Assets:		
Without donor restrictions:		
Undesignated	243,241	256,906
Investment in property and equipment, net of related debt	<u>70,288</u>	<u>81,497</u>
	<u>313,529</u>	<u>338,403</u>
With donor restrictions:		
Purpose restricted	<u>32,449</u>	<u>25,652</u>
<i>Total net assets</i>	<u>345,978</u>	<u>364,055</u>
<i>Total liabilities and net assets</i>	<u>\$ 438,206</u>	<u>\$ 483,350</u>

---

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

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support, Revenues, and Gains:</b>						
Operating grant from City of South Bend	\$ 565,000	\$ -	\$ 565,000	\$ 565,000	\$ -	\$ 565,000
Other grants	91,726	37,500	129,226	42,357	25,000	67,357
Parking revenue	43,624	-	43,624	45,682	-	45,682
Corporate partner contributions	83,462	-	83,462	99,506	42	99,548
Special events	177,589	60,675	238,264	145,316	108,782	254,098
Cooperative advertising	44,947	-	44,947	59,942	878	60,820
Expired gift certificates	3,445	-	3,445	4,125	-	4,125
Other	3,023	-	3,023	1,330	-	1,330
Net assets released from restrictions	<u>91,378</u>	<u>(91,378)</u>	<u>-</u>	<u>125,240</u>	<u>(125,240)</u>	<u>-</u>
<i>Total support, revenues, and gains</i>	<u>1,104,194</u>	<u>6,797</u>	<u>1,110,991</u>	<u>1,088,498</u>	<u>9,462</u>	<u>1,097,960</u>
<b>Expenses:</b>						
Program services expenses:						
Downtown promotion	1,031,405	-	1,031,405	923,475	-	923,475
Supporting services expenses:						
Management and general	83,517	-	83,517	107,781	-	107,781
Fundraising	<u>14,146</u>	<u>-</u>	<u>14,146</u>	<u>14,987</u>	<u>-</u>	<u>14,987</u>
<i>Total expenses</i>	<u>1,129,068</u>	<u>-</u>	<u>1,129,068</u>	<u>1,046,243</u>	<u>-</u>	<u>1,046,243</u>
<b>Change in net assets</b>	(24,874)	6,797	(18,077)	42,255	9,462	51,717
Net assets, beginning of year	<u>338,403</u>	<u>25,652</u>	<u>364,055</u>	<u>296,148</u>	<u>16,190</u>	<u>312,338</u>
<i>Net assets, end of year</i>	<u>\$ 313,529</u>	<u>\$ 32,449</u>	<u>\$ 345,978</u>	<u>\$ 338,403</u>	<u>\$ 25,652</u>	<u>\$ 364,055</u>

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

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended December 31, 2018 and 2017

	2018				2017			
	Downtown <u>Promotion</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Totals</u>	Downtown <u>Promotion</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Totals</u>
Beautification and maintenance	\$ 301,138	\$ -	\$ -	\$ 301,138	\$ 235,031	\$ -	\$ -	\$ 235,031
Hospitality and safety	80,479	-	-	80,479	67,612	-	-	67,612
Grants	41,348	-	-	41,348	22,024	-	-	22,024
Marketing and promotion	11,487	-	-	11,487	17,805	-	-	17,805
Special events	238,594	-	-	238,594	267,501	-	-	267,501
Cooperative advertising	39,033	-	-	39,033	57,148	-	-	57,148
Personnel:								
Salaries and wages	216,372	47,838	10,723	274,933	178,667	61,936	10,890	251,493
Payroll taxes	17,025	3,764	844	21,633	14,872	5,156	906	20,934
Employee benefits	5,696	1,259	282	7,237	7,265	2,518	442	10,225
<i>Total personnel</i>	239,093	52,861	11,849	303,803	200,804	69,610	12,238	282,652
Rent	19,825	4,383	982	25,190	18,535	5,476	1,129	25,140
Office expense	12,430	2,748	616	15,794	12,997	3,839	792	17,628
Insurance	6,870	1,519	340	8,729	7,470	2,207	455	10,132
Communications	7,240	1,601	359	9,200	6,123	1,809	373	8,305
Website hosting and maintenance	-	1,257	-	1,257	-	1,105	-	1,105
Professional fees	-	10,838	-	10,838	-	12,440	-	12,440
Bank fees	-	270	-	270	-	502	-	502
Bad debts	-	2,535	-	2,535	-	5,064	-	5,064
Interest	-	1,198	-	1,198	-	1,302	-	1,302
Other	4,233	240	-	4,473	3,810	25	-	3,835
Depreciation	29,635	4,067	-	33,702	6,615	4,402	-	11,017
<i>Total expenses by function</i>	<u>\$ 1,031,405</u>	<u>\$ 83,517</u>	<u>\$ 14,146</u>	<u>\$ 1,129,068</u>	<u>\$ 923,475</u>	<u>\$ 107,781</u>	<u>\$ 14,987</u>	<u>\$ 1,046,243</u>

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

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2018 and 2017

---

<b>Change in Cash and Cash Equivalents:</b>	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash received from grantors, donors, special events, advertising and others	\$ 1,048,869	\$ 1,157,195
Cash paid to employees, suppliers, and others	(1,087,412)	(1,061,712)
Interest paid	<u>(1,198)</u>	<u>(1,302)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(39,741)</u>	<u>94,181</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(19,920)</u>	<u>(18,458)</u>
Cash Flows from Financing Activities:		
Payment of capital lease obligation	<u>(2,573)</u>	<u>(2,329)</u>
<b>Net change in cash and cash equivalents</b>	(62,234)	73,394
Cash and cash equivalents, beginning of year	<u>192,304</u>	<u>118,910</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 130,070</u>	<u>\$ 192,304</u>

**Reconciliation of Change in Net Assets to Net Cash**

**Provided by (Used in) Operating Activities:**

Change in net assets	\$ (18,077)	\$ 51,717
Add (deduct) items not requiring (providing) cash:		
Depreciation	33,702	11,017
Bad debts	2,535	5,064
(Increase) decrease in grants receivable	(40,766)	78,114
(Increase) decrease in accounts receivable	3,207	(26,932)
Decrease in prepaid expenses	4,152	5,989
(Decrease) in accounts payable	(1,382)	(26,673)
Increase (decrease) in accrued liabilities	3,716	(10,177)
(Decrease) in agency obligations	(2,265)	(1,991)
Increase (decrease) in deferred revenues	(29,778)	9,078
Increase (decrease) in outstanding gift certificates	<u>5,215</u>	<u>(1,025)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>\$ (39,741)</u>	<u>\$ 94,181</u>

---

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

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

---

**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements include the accounts of Downtown South Bend, Inc. and its controlled affiliate, Downtown South Bend, Inc. Foundation (collectively the Organization, we, us, our). Our operations are primarily supported by grants and contracts with City of South Bend, Indiana and contributions and sponsorships from businesses in the South Bend area.

Downtown South Bend, Inc. is an Indiana nonprofit corporation formed for the benefit of the public interest by lessening the burdens of government, combating community deterioration, and lessening neighborhood tensions through the promotion, beautification, and maintenance of designated areas located in and near the area of downtown South Bend, Indiana. Downtown South Bend, Inc. Foundation is an Indiana nonprofit corporation organized and operated exclusively to carry out the purposes of Downtown South Bend, Inc., and the Board of Directors of Downtown South Bend, Inc. elects all members of its Board of Directors. All material transactions and balances between the two entities have been eliminated in these consolidated financial statements.

Significant Accounting Policies:

*Use of Estimates:*

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

A significant estimate used in the accompanying consolidated financial statements is the allocation of expenses among program and supporting services. Expenses that are directly identifiable with functions are charged to those functions. Expenses related to more than one function are allocated to functions based on estimates of employee time spent on functions, space used by function, and other factors driving costs.

*Net Asset Classes:*

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

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

---

*Cash and Cash Equivalents:*

We consider highly liquid financial instruments with original maturities of three months or less and that are neither held for nor restricted by donors for long-term purposes to be cash and cash equivalents.

*Grants and Accounts Receivable:*

Grants receivable are stated at the outstanding balance, net of a discount for amounts expected to be collected in more than one year and an allowance for uncollectables. Accounts receivable are stated at the outstanding balance, net of an allowance for uncollectables.

We provide allowances for uncollectable accounts based upon the specific identification of receivables where collection is no longer deemed probable and upon the level of total receivable balances. In determining the allowances, management evaluates the payment history and other known information for individual accounts or promises, historical losses, and current economic conditions. Individual accounts are charged-off against the allowance in the period that the receivable is deemed uncollectible. Recoveries of receivables previously charged-off are recorded as income in the period received. The Organization does not charge interest on its receivables.

No allowances for uncollectible grants or accounts receivable were considered necessary at either December 31, 2018 or 2017.

*Property and Equipment:*

Property and equipment is stated at cost if purchased, or at fair value at the date of receipt if donated, less accumulated depreciation and less any impairment. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets or, in the case of leasehold improvements, over the lesser of the term of the related lease or the estimated useful lives of the assets. Useful lives are generally as follows:

Public art, holiday decorations, event equipment.....	5-10 years
Office furniture and equipment .....	5 years
Website.....	3 years

We review for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. When an impairment is identified, the carrying amount of the asset is reduced to its estimated fair value. Assets to be disposed of are recorded at the lower of net book value or fair market value, less costs to sell, at the date management commits to a plan of disposal.

*Revenue and Revenue Recognition:*

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

---

are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions of goods are recorded at fair value at the date contributed. Contributions of the use of facilities at no charge or at below-market charge are recorded at fair value, less any charges. Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their fair value in the period received. No contributed services are recognized in the accompanying consolidated financial statements because the criteria for recognition were not met. In addition, a substantial number of volunteers donate significant amounts of time to the Organization that are not recorded because the criteria for recognition have not been met.

*Functional Allocation of Expenses:*

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include personnel, rent, office expenses, insurance, and communications, which are allocated on the basis of estimates of time and effort or other factors driving expenses.

*Advertising Costs:*

Advertising costs are expensed when incurred. Advertising expense was \$139,772 and \$171,717 for the years ended December 31, 2018 and 2017, respectively.

*Income Taxes:*

Downtown South Bend, Inc. is exempt from federal and Indiana income taxes under Internal Revenue Code Section 501(c)(6) and a similar section of the Indiana Code, except for taxes on unrelated business income. Downtown South Bend, Inc. Foundation is exempt from federal and Indiana income taxes under Internal Revenue Code 501(c)(3) and a similar section of the Indiana Code, except for taxes on unrelated business income, and is classified by the Internal Revenue Service as other than a private foundation under Internal Revenue Code Section 509(a)(1). Consequently, there is generally no provision for income taxes reported in the financial statements.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. We have not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying consolidated financial statements. We classify interest

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

---

and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at either December 31, 2018 or 2017, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2015.

*Financial Instruments and Credit Risk:*

We manage deposit concentration risk by placing cash and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with grants and accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, local individuals, and others supportive of our mission.

*Recent Accounting Pronouncements and Accounting Changes:*

In 2018, we adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this guidance include presentation of two net asset classes instead of the previous three; recognition of underwater endowment funds as a reduction of net assets with donor restrictions; and enhanced disclosures for board-designated amounts, composition of net assets without donor restrictions, and liquidity. There were no net asset classifications made as a result of adopting the standard.

In addition, we have elected to change the reporting of our consolidated statements of financial position from a classified to an unclassified presentation and to change the presentation of our consolidated statements of cash flows from the indirect to the direct method. We believe these changes will provide more useful information to users of our financial statements.

*Subsequent Events:*

We have evaluated events occurring subsequent to December 31, 2018 for possible adjustment to the financial statements or disclosure is October 25, 2019, the date on which the financial statements were available to be issued.

**NOTE 2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of December 31, 2018 are as follows:

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

---

Cash and cash equivalents	\$ 97,621
Certificates of deposit	63,279
Grants receivable	110,454
Accounts receivable	<u>49,554</u>
<i>Total financial assets available for general expenditure</i>	<u><u>\$ 320,908</u></u>

**NOTE 3. GRANTS RECEIVABLE**

Grants receivable at both December 31, 2018 and 2017 consist of reimbursements due under grants and contracts with the City of South Bend. All amounts are due within one year. In addition, at December 31, 2018, we had received approximately \$1,324,000 of conditional promises to give in excess of allowable costs incurred under a cost-reimbursement award with the City of South Bend. Such promises will be recognized as revenue if and when allowable costs are incurred.

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Public art, holiday decorations, and event equipment	\$ 11,996	\$ 11,996
Office furniture and equipment	20,030	20,030
Website	26,260	14,300
Sound system	<u>62,275</u>	<u>62,275</u>
	120,561	108,601
Less accumulated depreciation	<u>(48,147)</u>	<u>(28,745)</u>
	72,414	79,856
Website not yet in service	<u>6,725</u>	<u>13,065</u>
<i>Net property and equipment</i>	<u><u>\$ 79,139</u></u>	<u><u>\$ 92,921</u></u>

**NOTE 5. NET ASSETS INFORMATION**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specific purposes:		
Downtown Dining Association activities	\$ 6,789	\$ 12,492
Outreach personnel	<u>25,660</u>	<u>13,160</u>
<i>Total net assets with donor restrictions</i>	<u><u>\$ 32,449</u></u>	<u><u>\$ 25,652</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes as follows for the years ended December 31, 2018 and 2017, respectively:

Downtown Dining Association activities	\$ 66,378	\$ 113,400
Outreach personnel	<u>25,000</u>	<u>11,840</u>
<i>Total net assets released from restrictions</i>	<u><u>\$ 91,378</u></u>	<u><u>\$ 125,240</u></u>

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

---

**NOTE 6. LEASE INFORMATION**

We lease office space under a month-to-month operating lease and we lease other space and equipment for special events under short-term operating leases. We also lease certain office equipment under a capital lease requiring monthly payments of \$300 through October 2021.

The asset and liability under the capital lease were recorded at the lower of the present value of the minimum lease payment or the fair value of the asset. At both December 31, 2018 and 2017, the cost of the capital-leased asset was \$14,237 and the related accumulated depreciation was \$6,169 and \$3,322, respectively at December 31, 2018 and 2017. The asset is being amortized over the lower of the related lease term or its estimated productive life. Amortization of the capital-leased asset included in depreciation expense was \$2,847 for both years ended December 31, 2018 and 2017.

Total minimum commitments under the capital lease at December 31, 2018 for each of the next three years and in the aggregate are as follows:

2019	\$ 3,600
2020	3,600
2021	<u>3,000</u>
<i>Totals</i>	10,200
Less imputed interest	<u>(1,349)</u>
<i>Capital lease obligation</i>	<u><u>\$ 8,851</u></u>

Rent expense for all operating leases for the years ended December 31, 2018 and 2017 was \$108,526 and \$100,387, respectively.

**NOTE 7. CONCENTRATIONS**

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents and grants and accounts receivable. At times, cash and cash equivalents balances may exceed amounts insured by the Federal Deposit Insurance Corporation. No deposits were in excess of such coverage at December 31, 2018. Grants and accounts receivable are due from individuals and entities located in South Bend, Indiana, and at both December 31, 2018 and 2017, all grants receivable were due from the City of South Bend.

Our revenue sources are concentrated in the St. Joseph County, Indiana area. Accordingly, our grants, contributions, and other revenue sources may be affected by conditions in that area. For the years ended December 31, 2018 and 2017, approximately 60% and 58%, respectively, of total support, revenues and gains were received from the City of South Bend.

**DOWNTOWN SOUTH BEND, INC. AND AFFILIATE**

**SCHEDULE OF LOCAL AWARDS**

Year Ended December 31, 2018

---

<u>Grantor/Pass-Through Grantor/ Program/Title</u>	<u>Identifying Number</u>	<u>Beginning Balance</u>	<u>Award Received</u>	<u>Award Expended</u>	<u>Ending Balance</u>
<b>LOCAL AWARDS</b>					
City of South Bend	N/A	\$ -	\$ 1,990,697	\$ 666,326	\$ 1,324,371