

**AVENUES WEST ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

Years Ended December 31, 2013 and 2012

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9
<b>Supplemental Information:</b>	
Statements of Functional Expenses	10-11

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Avenues West Association, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Avenues West Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits 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 auditors' 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 Organization'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 Organization'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 Avenues West Association, Inc. as of December 31, 2013 and 2012, 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.

**Other-Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 10 - 11 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

September 16, 2014  
Milwaukee, Wisconsin

DRAFT

**AVENUES WEST ASSOCIATION, INC.**

Milwaukee, Wisconsin

**Statements of Financial Position**

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and equivalents	\$ 33,014	\$ 10,548
Prepaid expense	2,584	3,258
Receivables	1,042	20,100
<b>Total current assets</b>	<u>36,640</u>	<u>33,906</u>
<b>Property and Equipment:</b>		
Furniture and equipment	23,498	30,761
Less accumulated depreciation	23,286	27,645
<b>Net property and equipment</b>	<u>212</u>	<u>3,116</u>
<b>Total assets</b>	<u>\$ 36,852</u>	<u>\$ 37,022</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Deferred membership dues	\$ 6,020	\$ 3,986
Accounts payable	493	-
Accrued expenses-other	136	131
Capital lease liability, current portion	-	1,751
Accrued payroll, withholdings and related taxes	725	1,633
<b>Total current liabilities</b>	<u>7,374</u>	<u>7,501</u>
<b>Net Assets:</b>		
Unrestricted	<u>29,478</u>	<u>29,521</u>
<b>Total net assets</b>	<u>29,478</u>	<u>29,521</u>
<b>Total liabilities and net assets</b>	<u>\$ 36,852</u>	<u>\$ 37,022</u>

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

**AVENUES WEST ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Statements of Activities**  
Years Ended December 31, 2013 and 2012

	<u>2013</u>			<u>2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenues:</b>						
Management fee received from						
Business Improvement District No. 10	\$ 128,872	\$ -	\$ 128,872	\$ 120,000	\$ -	\$ 120,000
Membership dues	10,800	-	10,800	10,200	-	10,200
Program income	5,675	-	5,675	5,019	-	5,019
Contributions income	30	1,751	1,781	525	-	525
Other	33	-	33	273	-	273
<b>Special Events:</b>						
Gross awards luncheon	18,602	-	18,602	18,894	-	18,894
Direct event expenses	(4,669)	-	(4,669)	(4,449)	-	(4,449)
<b>Net awards luncheon</b>	<b>13,933</b>	<b>-</b>	<b>13,933</b>	<b>14,445</b>	<b>-</b>	<b>14,445</b>
Contribution in-kind	500	-	500	500	-	500
Release from restrictions	1,751	(1,751)	-	-	-	-
<b>Total support and revenues</b>	<b>161,594</b>	<b>-</b>	<b>161,594</b>	<b>150,962</b>	<b>-</b>	<b>150,962</b>
<b>Expenses:</b>						
Program services	64,832	-	64,832	56,123	-	56,123
Management and general	79,618	-	79,618	78,751	-	78,751
Fundraising	17,187	-	17,187	17,025	-	17,025
<b>Total expenses</b>	<b>161,637</b>	<b>-</b>	<b>161,637</b>	<b>151,899</b>	<b>-</b>	<b>151,899</b>
<b>Change in net assets</b>	<b>(43)</b>	<b>-</b>	<b>(43)</b>	<b>(937)</b>	<b>-</b>	<b>(937)</b>
<b>Net Assets, beginning of year</b>	<b>29,521</b>	<b>-</b>	<b>29,521</b>	<b>30,458</b>	<b>-</b>	<b>30,458</b>
<b>Net Assets, end of year</b>	<b>\$ 29,478</b>	<b>\$ -</b>	<b>\$ 29,478</b>	<b>\$ 29,521</b>	<b>\$ -</b>	<b>\$ 29,521</b>

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

**AVENUES WEST ASSOCIATION, INC.**

Milwaukee, Wisconsin

**Statements of Cash Flows**

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (43)	\$ (937)
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	2,904	4,891
<b>Changes in assets and liabilities:</b>		
Prepaid expense	674	(49)
Receivables	19,058	(19,930)
Accounts payable	493	-
Accrued expenses	5	(366)
Accrued payroll, withholdings and related taxes	(908)	(598)
Deferred membership dues	2,034	(2,488)
<b>Net cash provided (used) by operating activities</b>	<u>24,217</u>	<u>(19,477)</u>
<b>Cash Flows from Financing Activities:</b>		
Payment on capital lease	(1,751)	(1,695)
<b>Net cash used by investing activities</b>	<u>(1,751)</u>	<u>(1,695)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	22,466	(21,172)
<b>Cash, Beginning of year</b>	<u>10,548</u>	<u>31,720</u>
<b>Cash, End of year</b>	<u>\$ 33,014</u>	<u>\$ 10,548</u>
<b>Supplemental Cash Flow Information:</b>		
Interest paid	<u>\$ 31</u>	<u>\$ 87</u>

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

**AVENUES WEST ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
December 31, 2013 and 2012

**1. Summary of Significant Accounting Policies**

**Nature of Activities**

Avenues West Association, Inc. (Organization) is a nonprofit neighborhood assistance organization whose purpose is to improve the security and to promote and market the area of the Business Improvement District (BID) No. 10 and the surrounding Avenues West Association neighborhood. BID No. 10 was established by the City of Milwaukee through petition of the property owners existing in the area serviced by the Organization. BID No. 10 collects tax assessments from commercial property owners in the area to develop and promote the district. The Organization also collects revenues and support related to membership, fund-raising, and contributions. BID No. 10 contracts with the Organization to provide these services for the property owners in the area.

**Basis of Accounting**

The Organization prepares its financial statements on the accrual basis.

**Basis of Presentation**

Under accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, defined as follows:

**Unrestricted net assets** - Unrestricted net assets include unrestricted resources available for the Organization's operations.

**Temporarily restricted net assets** - Temporarily restricted net assets include resources which are restricted by the donor. Restrictions are satisfied either by the passage of time or by actions of the Organization. When a donor 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 and reported in the statements of activities as net assets released from restrictions.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at year ended December 31, 2013 and 2012.

**Cash and Equivalents**

For purposes of the statements of cash flows, the Organization considers all demand deposits and time deposits with an original maturity of three months or less to be cash and equivalents.

**AVENUES WEST ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
December 31, 2013 and 2012  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**Property and Equipment**

Furniture and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. During the years ended December 31, 2013 and 2012, depreciation expenses were \$2,904 and \$4,891, respectively.

Maintenance and minor repairs and replacements are charged directly to expense as incurred, while major renewals and betterments are capitalized.

**Revenues and Expenses**

Membership fees are recognized as revenue over the period to which they relate. Deferred membership dues represent amounts collected from members for the subsequent year's dues. Contributions for program services are recognized as revenue in the period in which the program services occur.

Expenses relating to program services are recognized in the period in which the program services occur.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. None of the Organization's current activities are subject to taxation as unrelated business income.

Under generally accepted accounting principles in the United States of America, management is required to evaluate any uncertain tax positions taken, if any, and provide additional disclosures. At this time, the Organization does not believe it has taken any uncertain tax positions that may have a material effect on its financial statements or note disclosures.

The Organization is no longer subject to U.S. federal income tax examinations for years ending through December 31, 2010.

**Allocation of Expenses**

Costs have been detailed by function on the statements of activities. Certain costs have been allocated among the functions based upon estimated use of those costs.

**Receivables**

Receivables are reported at contract value, less an estimate for uncollectible amounts based on historical collection experience. The Organization uses the allowance method for providing for uncollectible accounts. No allowance was deemed necessary at December 31, 2013 and 2012. The Organization had no bad debt expense for the years ended December 31, 2013 and 2012.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.



**AVENUES WEST ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
December 31, 2013 and 2012  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**Subsequent Events**

Management has evaluated all subsequent events through September 16, 2014 for possible inclusion as a disclosure in the financial statements. There were no subsequent events that required recognition or disclosure.

**2. Related Party Transactions**

Under an agreement with BID No. 10, the Organization has been contracted to provide all of the services outlined in an annual operating plan for BID No. 10. Some of the Board of Director members for the Organization are also Board of Director members for BID No. 10. The Organization received payments from BID No. 10 of \$128,872 and \$120,000 for the years ended December 31, 2013 and 2012, respectively, for reimbursements performed under the annual operating plans. Receivables from BID No. 10 for the years ended December 31, 2013 and 2012 amounted to \$0 and \$20,000, respectively, and are reported on the statements of financial position.

The Organization rents its office space from a company that is owned by a member of the Organization's board of directors. Rent expense paid to the company totaled \$12,000 for each of the years ended December 31, 2013 and 2012.

**3. Capital Lease**

The Organization entered into a non-cancelable capital lease for a copy machine. Assets and liabilities recorded under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense. The lease was completely paid off during 2013. Leased assets included in property and equipment at December 31, 2012 consisted of the following:

	<b><u>2012</u></b>
Office equipment	\$ 5,087
Less accumulated depreciation	<u>(3,391)</u>
<b>Net book value of leased capital assets</b>	<b><u>\$ 1,696</u></b>

**AVENUES WEST ASSOCIATION, INC.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
December 31, 2013 and 2012  
(Continued)

**4. Concentrations**

**Credit Risk**

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances.

**Revenue**

During the years ended December 31, 2013 and 2012, the Organization received 80% and 79%, respectively, of its revenue from The Business Improvement District No. 10. These funds are generated from tax assessments levied by the City of Milwaukee.

DRAFT

**AVENUES WEST ASSOCIATION, INC.**

Milwaukee, Wisconsin

**Statement of Functional Expenses**

Year Ended December 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries	39,074	\$ 41,821	\$ 15,080	\$ 95,975
Benefits	1,266	1,424	475	3,165
Payroll taxes	2,969	3,177	1,146	7,292
Insurance	-	3,455	182	3,637
Project costs	17,810	-	-	17,810
Office supplies	333	1,000	-	1,333
Postage	1,238	215	198	1,651
Advertising and promotion	-	165	-	165
Conferences and training	-	100	-	100
Dues and subscriptions	-	389	-	389
Interest expense	-	31	-	31
Printing and copying	679	170	-	849
Professional services	-	9,869	-	9,869
Depreciation	-	2,904	-	2,904
Rent	-	12,000	-	12,000
Telephone	688	765	76	1,529
Repairs and maintenance	275	305	30	610
Personal property tax	-	212	-	212
In-kind expense	500	-	-	500
Other	-	1,616	-	1,616
<b>Totals</b>	<u>\$ 64,832</u>	<u>\$ 79,618</u>	<u>\$ 17,187</u>	<u>\$ 161,637</u>

See Independent Auditors' Report.

**AVENUES WEST ASSOCIATION, INC.**

Milwaukee, Wisconsin

**Statement of Functional Expenses**

Year Ended December 31, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries	38,909	\$ 41,439	\$ 15,058	\$ 95,406
Benefits	882	993	331	2,206
Payroll taxes	2,876	3,063	1,113	7,052
Insurance	-	3,439	181	3,620
Project costs	8,150	-	-	8,150
Office supplies	240	720	-	960
Postage	1,667	289	267	2,223
Advertising and promotion	-	969	-	969
Conferences and training	-	40	-	40
Dues and subscriptions	-	313	-	313
Interest expense	-	87	-	87
Printing and copying	1,751	438	-	2,189
Professional services	466	8,446	-	8,912
Depreciation	-	4,891	-	4,891
Rent	-	12,000	-	12,000
Telephone	479	532	53	1,064
Repairs and maintenance	203	224	22	449
Personal property tax	-	309	-	309
In-kind expense	500	-	-	500
Other	-	559	-	559
<b>Totals</b>	<u>\$ 56,123</u>	<u>\$ 78,751</u>	<u>\$ 17,025</u>	<u>\$ 151,899</u>

See Independent Auditors' Report.