

**BUSINESS IMPROVEMENT DISTRICT #51
MILWAUKEE, WISCONSIN**

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

BUSINESS IMPROVEMENT DISTRICT #51
MILWAUKEE, WISCONSIN

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Independent Accountant's Review Report

Board of Directors
Business Improvement District #51
Milwaukee, Wisconsin

We have reviewed the accompanying financial statements of the Business Improvement District #51, which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The financial statements of Business Improvement District #51 as of June 30, 2018, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated October 10, 2018.

Management's Responsibility for the Financial Statements

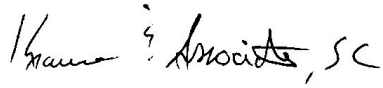
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Krause & Associates, SC". The signature is written in a cursive style with a small mark above the 'i' in "Associates".

Krause & Associates, SC
Grafton, Wisconsin
September 19, 2019

BUSINESS IMPROVEMENT DISTRICT #51
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ <u>173,670</u>	\$ <u>142,106</u>
TOTAL ASSETS	\$ <u>173,670</u>	\$ <u>142,106</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ <u>682</u>	\$ <u>-</u>
TOTAL LIABILITIES	682	-
NET ASSETS		
Without donor restrictions	<u>172,988</u>	<u>142,106</u>
TOTAL NET ASSETS	<u>172,988</u>	<u>142,106</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>173,670</u>	\$ <u>142,106</u>

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

BUSINESS IMPROVEMENT DISTRICT #51
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>Without donor restrictions</u>	
	<u>2019</u>	<u>2018</u>
REVENUE		
City of Milwaukee assessment income	<u>\$ 98,358</u>	<u>\$ 92,550</u>
Total revenue	<u>98,358</u>	<u>92,550</u>
EXPENSES		
Program services	59,572	6,000
Supporting services:		
Management and general	<u>7,904</u>	<u>21,511</u>
Total expenses	<u>67,476</u>	<u>27,511</u>
Changes in net assets	30,882	65,039
Net assets, beginning of year	<u>142,106</u>	<u>77,067</u>
Net assets, at end of year	<u>\$ 172,988</u>	<u>\$ 142,106</u>

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

BUSINESS IMPROVEMENT DISTRICT #51
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 30,882	\$ 65,039
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Increase (decrease) in accounts payable	<u>682</u>	<u>(9,000)</u>
Net cash provided by (used in) operating activities	<u>31,564</u>	<u>56,039</u>
Net increase (decrease) in cash and cash equivalents	31,564	56,039
Cash and cash equivalents at beginning of year	<u>142,106</u>	<u>86,067</u>
Cash and cash equivalents at end of year	<u>\$ 173,670</u>	<u>\$ 142,106</u>

Supplemental disclosure of cash flow information:

Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.

BUSINESS IMPROVEMENT DISTRICT #51
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	Program	Management and General	Total
Contract services	\$ 14,000	\$ 4,000	\$ 18,000
Branding and identity projects	25,572	-	25,572
Harborwalk design and planning	20,000	-	20,000
Insurance	-	722	722
Office and other	-	682	682
Professional fees	-	2,500	2,500
Total expenses	\$ 59,572	\$ 7,904	\$ 67,476

	2018		
	Program	Management and General	Total
Contract services	\$ -	\$ 18,000	\$ 18,000
Insurance	-	450	450
Mural	3,000	-	3,000
Other	-	61	61
Website	3,000	3,000	6,000
Total expenses	\$ 6,000	\$ 21,511	\$ 27,511

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

BUSINESS IMPROVEMENT DISTRICT #51
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

The Business Improvement District #51 (BID) was created by the City of Milwaukee through resolution file No. 160664 in 2016. The primary purpose of the BID is to allow businesses within the district to develop, manage and promote their districts and to establish an assessment to fund these activities. The BID was organized for the purpose of revitalizing and enhancing the Harbor District business area surrounding Milwaukee's Inner Harbor. Business Improvement Districts are authorized by Wisconsin Statutes Section 66.1109.

2. Cash and cash equivalents

The BID considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

3. Net assets

The BID follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. Net assets, revenues, gains, and losses 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 (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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.

The BID reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

BUSINESS IMPROVEMENT DISTRICT #51
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Revenue and Revenue Recognition

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

5. Harborwalk improvements

Harborwalk improvements are not capitalized; rather they are expensed as incurred as they are considered part of the City of Milwaukee's public infrastructure.

6. Donated services and in-kind contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The BID records donated professional services at the respective fair values of the services received.

7. Allocation of functional expenses

The financial statements 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. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, supplies, insurance, and other, which are allocated on the basis of estimates of time and effort.

8. Income taxes

The BID is exempt from income tax as an affiliate of a governmental unit pursuant to Section 501(a) of the Internal Revenue Code.

The BID evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

BUSINESS IMPROVEMENT DISTRICT #51
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Use of estimates

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

10. Change in accounting principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The BID has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

11. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through September 19, 2019, which is the date that the financial statements were available to be issued.

B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date of June 30, 2019, comprise the following:

Cash and cash equivalents	<u>\$ 173,670</u>
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C – CONCENTRATION OF RISK

The BID, receives property assessment revenue from the City of Milwaukee. The BID's operations rely on the availability of these funds. All of the BID's revenue was from the City of Milwaukee for the years ended June 30, 2019 and 2018.

BUSINESS IMPROVEMENT DISTRICT #51
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019 AND 2018

D – ASSESSMENT INCOME

In order to provide revenues to support the BID’s mission, the Common Council of the City of Milwaukee enforced an assessment on property located within a specified are of Milwaukee’s Inner Harbor. The assessment is calculated based on assessed values of the properties every fall. The assessment is levied on the district properties was \$1 per \$1,000 of assessed property value with a minimum of \$100 and a maximum assessment of \$3,000 per parcel. Certain properties within the district boundaries are also within the boundaries of another business improvement district. Those properties are assessed by the BID as follows:

- If the calculated assessment is greater than the assessment of the other district, the property is assessed the difference, subject to the \$100 minimum.
- If the calculated assessment is less than the assessment of the other district, the property is assessed the \$100 minimum.

E – RELATED PARTY TRANSACTIONS

The BID has an agreement with Harbor District, Inc. (HDI) for BID administration, project management, outreach and mailings as approved annually in the BID Operating Plan. The BID transferred \$18,000 to HDI as payment for the agreement during the years ended June 30, 2019 and 2018.

The BID also reimbursed HDI the following operating expenses during the year ended June 30, 2019 and 2018:

	2019	2018
Administrative and basic office	\$ 443	\$ -
Branding and identity projects	30	-
Other	-	61
Total	\$ 473	\$ 61