

**HILLSBOROUGH STREET
COMMUNITY SERVICE CORPORATION**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION

TABLE OF CONTENTS

June 30, 2019

	PAGE
INDEPENDENT AUDITORS' REPORT	2-3
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statements of Activities	5-6
Statements of Cash Flows	7
Statements of Functional Expenses	8-9
Notes to Financial Statements	10-14



Neal, Bradsher & Taylor, P.A.
 CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Christopher A. Tikvart, CPA, CVA
 Timothy E. Noser, CPA
 Shayne Beasley, CPA, CFE
 Michael D. Clonch, CPA



James E. Neal, CPA, CVA, CFE
 Gary C. Hull, CPA



OFFICE LOCATIONS

University Commons
 3721-D University Drive
 Durham, NC 27707

Tel (919) 489-3369
 Fax (919) 489-9539



Six Forks Office Center
 8374 Six Forks Road
 Suite 203
 Raleigh, NC 27615

Tel (919) 844-6488
 Fax (919) 844-6460



WWW.NBT-CPA.COM



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 Valuation Analysts

INDEPENDENT AUDITORS' REPORT

The Board of Directors
 Hillsborough Street Community Service Corporation
 Raleigh, North Carolina

We have audited the accompanying financial statements of Hillsborough Street Community Service Corporation (a North Carolina non-profit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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. Those 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hillsborough Street Community Service Corporation as of June 30, 2019 and 2018, 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.

Neal, Bradsher & Taylor

CERTIFIED PUBLIC ACCOUNTANTS
Durham, North Carolina

December 5, 2019

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	ASSETS	
	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	\$ 398 070	\$ 350 775
Certificates of deposit (at cost)	210 770	206 382
Accounts receivable	5 516	1 372
Total Current Assets	614 356	558 529
 PROPERTY AND EQUIPMENT: (At Cost)		
Office equipment	20 280	20 280
Less: Accumulated depreciation	(15 868)	(13 728)
Net Property and Equipment	4 412	6 552
Total Assets	\$ 618 768	\$ 565 081

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 17 039	\$ 500
 NET ASSETS:		
Without donor restrictions	601 729	564 581
With donor restrictions	-	-
Total Liabilities and Net Assets	\$ 618 768	\$ 565 081

See Notes to Financial Statements.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
 STATEMENTS OF ACTIVITIES
 For the Years Ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Government appropriations	\$ 125 000	\$ -	\$ 125 000
Contributions	227 532	-	227 532
Program service revenue	628 115	-	628 115
Interest income	<u>5 591</u>	<u>-</u>	<u>5 591</u>
Total Support and Revenues	<u>986 238</u>	<u>-</u>	<u>986 238</u>
EXPENSES:			
Street development	727 822	-	727 822
General and administrative	204 890	-	204 890
Fundraising	<u>16 378</u>	<u>-</u>	<u>16 378</u>
Total Expenses	<u>949 090</u>	<u>-</u>	<u>949 090</u>
CHANGE IN NET ASSETS	37 148	-	37 148
NET ASSETS AT BEGINNING OF YEAR	<u>564 581</u>	<u>-</u>	<u>564 581</u>
NET ASSETS AT END OF YEAR	<u>\$ 601 729</u>	<u>\$ -</u>	<u>\$ 601 729</u>

See Notes to Financial Statements.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
 STATEMENTS OF ACTIVITIES (Continued)
 For the Years Ended June 30, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Government appropriations	\$ 125 000	\$ -	\$ 125 000
Contributions	229 187	-	229 187
Program service revenue	583 881	-	583 881
Interest income	<u>3 083</u>	<u>-</u>	<u>3 083</u>
Total Support and Revenues	<u>941 151</u>	<u>-</u>	<u>941 151</u>
EXPENSES:			
Street development	706 799	-	706 799
General and administrative	170 806	-	170 806
Fundraising	<u>13 670</u>	<u>-</u>	<u>13 670</u>
Total Expenses	<u>891 275</u>	<u>-</u>	<u>891 275</u>
CHANGE IN NET ASSETS	49 876	-	49 876
NET ASSETS AT BEGINNING OF YEAR	<u>514 705</u>	<u>-</u>	<u>514 705</u>
NET ASSETS AT END OF YEAR	<u>\$ 564 581</u>	<u>\$ -</u>	<u>\$ 564 581</u>

See Notes to Financial Statements.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from program services	\$ 623 971	\$ 584 034
Cash received from grants and contributions	352 532	354 187
Cash received from interest income	5 591	3 083
Cash paid to employees and suppliers	<u>(930 411)</u>	<u>(904 014)</u>
Net Cash Provided by Operating Activities	<u>51 683</u>	<u>37 290</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	51 683	37 290
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>557 157</u>	<u>519 867</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 608 840</u>	<u>\$ 557 157</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 37 148	\$ 49 876
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2 140	2 379
(Increase) Decrease in Operating Assets:		
Accounts receivable	(4 144)	153
(Decrease) Increase in Operating Liabilities:		
Accounts payable	<u>16 539</u>	<u>(15 118)</u>
Net Cash Provided by Operating Activities	<u>\$ 51 683</u>	<u>\$ 37 290</u>

ADDITIONAL DISCLOSURES:

Cash and cash equivalents at June 30 are reflected on the Statements of Financial Position as follows:

Cash and cash equivalents	\$ 398 070	\$ 350 775
Certificates of deposit (at cost)	<u>210 770</u>	<u>206 382</u>
	<u>\$ 608 840</u>	<u>\$ 557 157</u>

See Notes to Financial Statements.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
 STATEMENTS OF FUNCTIONAL EXPENSES
 For the Years Ended June 30, 2019 and 2018

	2019				
	Street Development	Total Program	Management And General	Fund- Raising	Total
Salaries	\$ 186 768	\$ 186 768	\$ 55 526	\$ 10 096	\$ 252 390
Payroll taxes	17 266	17 266	5 134	933	23 333
Employee benefits	19 157	19 157	5 695	1 036	25 888
Marketing	41 081	41 081	12 213	2 221	55 515
Office supplies	-	-	4 684	-	4 684
Legal and accounting	-	-	39 371	-	39 371
Rent	38 694	38 694	11 503	2 092	52 289
Insurance	-	-	2 717	-	2 717
Depreciation	-	-	2 140	-	2 140
Program expenses	424 856	424 856	-	-	424 856
General and administrative expenses	-	-	65 907	-	65 907
	<u>\$ 727 822</u>	<u>\$ 727 822</u>	<u>\$ 204 890</u>	<u>\$ 16 378</u>	<u>\$ 949 090</u>

See Notes to Financial Statements.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
 STATEMENTS OF FUNCTIONAL EXPENSES (Continued)
 For the Years Ended June 30, 2019 and 2018

	2018				
	Street Development	Total Program	Management And General	Fund- Raising	Total
Salaries	\$ 153 982	\$ 153 982	\$ 45 779	\$ 8 323	\$ 208 084
Payroll taxes	14 881	14 881	4 425	804	20 110
Employee benefits	16 065	16 065	4 777	868	21 710
Marketing	40 100	40 100	11 921	2 168	54 189
Office supplies	-	-	3 971	-	3 971
Legal and accounting	-	-	39 640	-	39 640
Rent	27 878	27 878	8 288	1 507	37 673
Insurance	-	-	3 825	-	3 825
Depreciation	-	-	2 379	-	2 379
Program expenses	453 893	453 893	-	-	453 893
General and administrative expenses	<u>-</u>	<u>-</u>	<u>45 801</u>	<u>-</u>	<u>45 801</u>
	<u>\$ 706 799</u>	<u>\$ 706 799</u>	<u>\$ 170 806</u>	<u>\$ 13 670</u>	<u>\$ 891 275</u>

See Notes to Financial Statements.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

1. NATURE OF ACTIVITIES:

The Hillsborough Street Community Service Corporation (the Corporation) is an independent, not for profit, business improvement district created by a partnership between the City of Raleigh, N.C. State University and the property owners and businesses on Hillsborough Street in the fall of 2009.

The Corporation's mission is to make the Hillsborough Street community a district destination in Raleigh by providing services and programs that improve the economic sustainability of the businesses, and increases the market value of the properties, within the territory. In order to make the Hillsborough Street community a better place to live, work, play, shop, dine, learn, and visit throughout the year, the Hillsborough Street Community Service Corporation provides:

- Cleaning
- Security
- Beautification
- Marketing
- Economic Development
- Tourism
- Advocacy
- Special Event Programs and Services.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The Corporation's policy is to prepare its financial statements on the accrual basis of accounting and, accordingly reflect all significant receivables, payables, and other liabilities.

FINANCIAL STATEMENT PRESENTATION

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor-restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

FINANCIAL STATEMENT PRESENTATION (Continued)

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Accordingly, the Corporation 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.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CONTRIBUTED SERVICES

Contributed services requiring expertise are recorded as in-kind donations at their estimated fair values at the date of receipt.

Many other individuals volunteer their time and perform a variety of tasks that assist the Corporation. No amounts have been reflected on the financial statements for these services.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at unpaid balances. The management of the Corporation believes that all receivables will be collected. Therefore, no allowance for uncollectible accounts is considered necessary. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

PROPERTY AND EQUIPMENT

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over estimated useful lives of 5-10 years.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

INCOME TAX STATUS

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contributions deduction under Section 170(b)(1)(A) and has been classified as a corporation that is not a private foundation under Section 509(a)(2).

Management has considered the tax positions taken in its tax returns and believes that all of the positions taken by the Corporation in its federal exempt organization tax returns are more likely than not to be sustained upon examination.

Generally, the Corporation's tax returns remain open for three years for examination by taxing authorities. The Corporation does not believe there are any material uncertain tax positions and, accordingly, it did not recognize any liability for unrecognized tax benefits.

ADVERTISING

The Corporation expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

COMPENSATED ABSENCES

No amount of liability was provided for compensated absences since these amounts could not be reasonably estimated at the date of the statements of financial position.

NEW ACCOUNTING PRONOUNCEMENT

During the year ended June 30, 2019, the organization elected to adopt the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This 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 between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 3). The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14.

3. LIQUIDITY:

The below reflects Hillsborough Street Community Service Corporation's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at June 30, 2019	\$ 614 356
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 614 356

4. CONCENTRATIONS:

The Corporation is largely dependent on three sources of support. Those three sources of support approximated \$858,000 and \$810,000 or 87% and 86% of the Corporation's support for the years ended June 30, 2019 and 2018, respectively. Loss of any one of these sources could have a detrimental impact on the finances of the Corporation.

HILLSBOROUGH STREET COMMUNITY SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

5. CONCENTRATION OF CREDIT RISK:

The Corporation maintains several bank accounts at two high quality financial institutions which balances at times can exceed the aggregate insured amounts of \$250,000 provided by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of the insured limits approximated \$181,000 and \$131,000 at June 30, 2019 and 2018, respectively.

6. INVESTMENT IN CERTIFICATES OF DEPOSIT:

Certificates of deposit totaled \$210,770 and \$206,382 at June 30, 2019 and 2018, respectively. Initial maturities at purchase of these certificates are two years. At June 30, 2019, interest rates ranged from 2.40% to 2.80%.

7. SUBSEQUENT EVENT:

The Corporation evaluated the effect subsequent events would have on the financial statements through the date of the report, December 5, 2019, which is the date the financial statements were available to be issued.