

**Downtown St. Louis
Community Improvement
District, Inc.**

Financial Report
June 30, 2015

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Downtown St. Louis
Community Improvement District, Inc.
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Downtown St. Louis Community Improvement District, Inc. (District) which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

Auditor's 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 auditor's 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 Downtown St. Louis Community Improvement District, Inc. as of June 30, 2015 and 2014, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the financial statements or 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.

RSM US LLP

St. Louis, Missouri
November 12, 2015

Downtown St. Louis Community Improvement District, Inc.

Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 223,888	\$ 52,409
Certificates of deposit	1,732,422	1,989,345
Interest receivable	698	930
Accounts receivable	40,385	19,379
Property assessments receivable	163,819	176,674
Prepaid expenses	14,058	20,711
Total current assets	2,175,270	2,259,448
Property and equipment, net	156,738	209,861
Total long-term assets	156,738	209,861
Total assets	\$ 2,332,008	\$ 2,469,309
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 93,112	\$ 231,810
Current portion of tenant improvement allowance	25,630	23,782
Deferred revenue		
Property assessments	1,896,606	1,892,578
Other	18,434	18,658
Due to Downtown STL, Inc.	88,972	72,275
Total current liabilities	2,122,754	2,239,103
Other long-term liabilities	56,064	81,609
Total liabilities	2,178,818	2,320,712
Commitments (Notes 6 and 8)		
Net assets:		
Unrestricted	139,432	148,597
Temporarily restricted	13,758	-
Total net assets	153,190	148,597
Total liabilities and net assets	\$ 2,332,008	\$ 2,469,309

See notes to financial statements.

Downtown St. Louis Community Improvement District, Inc.

**Statements of Activities
Years Ended June 30, 2015 and 2014**

	2015	2014
Changes in Unrestricted Net Assets		
Support and revenue:		
Property assessments	\$ 2,916,025	\$ 2,798,648
General services administration	55,397	69,390
Payments in lieu	15,000	15,000
Interest	3,366	2,135
Banner program	81,111	70,398
Cooperative promotions/marketing campaign	14,874	33,520
Festival	11,831	7,983
Contributions	53,151	-
Bike station dues	5,483	5,258
Housing tour	-	13,080
Total support and revenue	3,156,238	3,015,412
Expenses:		
Program services:		
Security	951,388	896,295
Traditional economic and housing development	458,487	404,817
Maintenance	795,522	764,761
Image and communication	138,021	155,963
Special events	101,509	84,974
Banner program	73,056	67,142
Cooperative promotions/marketing campaign	12,435	20,742
Festival	15,969	28
Housing tour	2,013	12,770
Bike station	18,779	17,474
Economic development	21,454	-
Opportunity fund	145,699	185,155
Public space	31,909	-
Supporting services:		
Management and general	399,162	393,208
Total expenses	3,165,403	3,003,329
(Decrease) Increase in Unrestricted Net Assets	(9,165)	12,083
Changes in Temporarily Restricted Net Assets		
Support and revenue:		
Contributions	13,758	-
Increase in Temporarily Restricted Net Assets	13,758	-
Total increase in net assets	4,593	12,083
Net assets:		
Beginning of year	148,597	136,514
End of year	\$ 153,190	\$ 148,597

See notes to financial statements.

Downtown St. Louis Community Improvement District, Inc.

**Statements of Cash Flows
Years Ended June 30, 2015 and 2014**

	2015	2014
Cash flows from operating activities:		
Increase in net assets	\$ 4,593	\$ 12,083
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	55,729	57,190
Decrease (increase) in assets:		
Interest receivable	232	895
Accounts receivable	(21,006)	8,939
Property assessments receivable	12,855	(29,600)
Prepaid expenses	6,653	21,717
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses and other	(162,395)	26,870
Due to Downtown STL, Inc.	16,697	(53,655)
Deferred revenue	3,804	97,870
Net cash (used in) provided by operating activities	(82,838)	142,309
Cash flows from investing activities:		
Purchase of furniture and equipment	(2,606)	(2,717)
Purchase of certificates of deposit	(1,750,000)	(1,989,345)
Maturities of certificates of deposit	2,006,923	1,750,000
Net cash provided by (used in) investing activities	254,317	(242,062)
Net increase (decrease) in cash and cash equivalents	171,479	(99,753)
Cash and cash equivalents:		
Beginning	52,409	152,162
Ending	\$ 223,888	\$ 52,409

See notes to financial statements.

Downtown St. Louis Community Improvement District, Inc.

Notes to Financial Statements

Note 1. Nature of Entity

The Downtown St. Louis Community Improvement District, Inc. (District) is a private, not-for-profit District organized for the development and revitalization of the downtown area of St. Louis, Missouri.

The District began operations in July 1999 when the Downtown St. Louis Partnership, Inc. Community Improvement District was created by petition of property owners in Downtown St. Louis and approved by Ordinance of the Board of Alderman of the City of St. Louis. The term of the initial District began January 1, 2000 and expired December 31, 2004. In July 2004, the District was renewed by petition of property owners in Downtown St. Louis and approved by Ordinance of the Board of Alderman of the City of St. Louis and became the Downtown St. Louis Community Improvement District, Inc. The renewal of the District had a term of January 1, 2005 to December 31, 2011, and covered a smaller geographic area than the initial District.

A second renewal having a term of January 1, 2012 to December 31, 2021, covered the same geographic area as the previous renewal. The purpose of the initial and renewed Districts is to improve a specific area of downtown St. Louis, primarily through capital improvements, maintenance, security, image and communication marketing, streetscape improvements, economic development, housing development, and special events. All revenues and expenditures of the initial and the renewed Districts are recorded in these financial statements. The specific services, benefits, and improvements to be provided by the District are set forth in the "Management Plan" authorized by the above petitions. The Board of Directors of the District authorized an assessment of the property owners for the purpose of paying the costs and expenses to be incurred in the implementation of the "Management Plan".

Note 2. Summary of Accounting Policies

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

Basis of presentation: The District reports 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, which are based on the existence or nature of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets: Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of the District and/or the passage of time. Restricted contributions received and released in the current year are reported as unrestricted net asset activity. The District had temporarily restricted net assets of \$13,758 and \$0 as of June 30, 2015 and 2014, respectively.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the District. The District had no permanently restricted net assets as of June 30, 2015 and 2014.

Cash and cash equivalents: The District considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Certificates of deposit: The District has certificates of deposit reported at cost with a maturity date that is greater than 90 days and penalties for early withdrawal.

Downtown St. Louis Community Improvement District, Inc.

Notes to Financial Statements

Note 2. Summary of Accounting Policies (Continued)

Receivables: Interest receivable, accounts receivable and property assessments receivable are considered to be fully collectible.

Property and equipment: Property and equipment are stated at cost. Leasehold improvements are capitalized and amortized over the lesser of the term of the lease or the estimated useful life of the asset. Depreciation of property and equipment is recognized on a straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3–10 years
Leasehold improvements—office	10 years
Leasehold improvements—bike station	15 months

Other long-term liabilities: The District leases property with escalating rent payments. The rent expense each year is recognized on a straight-line basis over the life of the lease. The District accrues rent expense on the leases in an amount such that total rent expense under the lease will be recognized ratably over the term of the lease, resulting in a deferred rent liability. The District also received payment in advance for tenant improvements under the terms of an operating lease; this payment is recorded as a long-term liability and recognized as a reduction in rent expense over the term of the lease.

Income taxes: The District qualifies as a charitable organization as defined by Internal Revenue Code 501(c)(3) and, accordingly, it is exempt from federal income taxes on related, exempt income, along with similar provisions of state law. The District files federal information returns. The statute of limitations for information returns filed for the tax years ended June 30, 2012 through 2014 have not expired and therefore the returns are subject to examination.

Management evaluated the District's tax positions and concluded that the District had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Revenue recognition: Property assessments revenue is recognized as services are provided and the related expenses are incurred. At the expiration of the District, all unused property assessment funds must be returned to the property owners. All other support and revenue is recognized as goods or services are provided.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Programs: The District's programs authorized by the Management Plan are as follows:

Security: Operation of the Downtown Communication Exchange Network, the Downtown Guide program, the Police Assistance Agreement with the Metropolitan St. Louis Police Department and other security-related initiatives.

Traditional economic and housing development: Marketing and implementation of programs targeted to business recruitment and retention, retail strategies, residential housing initiatives and other development programs.

Maintenance: Sidewalk cleaning operations (including litter patrol, weeding, pressure washing and repair), graffiti removal, street furnishings and landscaping and beautification projects.

Downtown St. Louis Community Improvement District, Inc.

Notes to Financial Statements

Note 2. Summary of Accounting Policies (Continued)

Image and communication: Production and distribution of downtown collateral materials and the promoting of downtown as part of an established Image Marketing plan.

Special events: Facilitation, coordination and production of events in the downtown area.

Opportunity fund: Provides additional resources to strategically address new challenges and opportunities that occur.

Use of 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 of assets and liabilities, the 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.

Subsequent events: The District has evaluated subsequent events through November 12, 2015, the date on which the financial statements were issued. See Note 9 for a discussion of subsequent events noted.

Note 3. Property and Equipment

Property and equipment consists of the following at June 30, 2015 and 2014:

	2015	2014
Furniture and equipment	\$ 370,424	\$ 367,818
Leasehold improvements—office	184,270	253,361
Leasehold improvements—bike station	125,130	125,130
	<u>679,824</u>	<u>746,309</u>
Less accumulated depreciation and amortization	523,086	536,448
	<u>\$ 156,738</u>	<u>\$ 209,861</u>

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was \$55,729 and \$57,190, respectively.

Downtown St. Louis Community Improvement District, Inc.

Notes to Financial Statements

Note 4. Property Assessments

Assessments are collected on real property within the District. The assessments are calculated based on building gross square footage above the first floor and on lot gross square footage. The assessments are collected by the City of St. Louis and remitted to the District, net of service fees approximating 1.5 percent in fiscal year 2015 and 2014. Revenue for property assessments is recognized as services are provided and the related expenses are incurred. The difference between amounts assessed and amounts recognized as revenue is recorded as deferred revenue in the statement of financial position as follows:

Balance at June 30, 2013	\$ 1,791,227
Assessments billed	2,899,999
Revenue recognized	(2,798,648)
Balance at June 30, 2014	1,892,578
Assessments billed	2,920,053
Revenue recognized	(2,916,025)
Balance at June 30, 2015	<u>\$ 1,896,606</u>

Note 5. Cooperative Services Agreement

Downtown STL, Inc. is responsible for administering and managing the District. As part of this cooperative agreement between the two entities, the District paid Downtown STL, Inc. for staff services, overhead and other related expenses. For the fiscal years ended June 30, 2015 and 2014, contract expenses from this agreement totaled \$1,930,659 and \$1,840,350, respectively, which includes approximately \$139,300 of operating lease payments on space leased by Downtown STL, Inc. but used by the District for each of the years. As of June 30, 2015 and 2014, the District owed \$88,972 and \$72,275, respectively, to Downtown STL, Inc. for the above services in connection with the agreement.

Note 6. Operating Lease Commitments

The District is obligated under a non-cancelable operating lease for office space. The minimum rental commitments under the non-cancelable terms of this operating lease is as follows:

Year Ended June 30,

2016	\$ 36,211
2017	36,580
2018	36,580
2019	6,097
Total minimum payments required	<u>\$ 115,468</u>

Rental expenses for the operating leases were \$44,886 and \$43,896 for the years ended June 30, 2015 and 2014, respectively.

Downtown St. Louis Community Improvement District, Inc.

Notes to Financial Statements

Note 7. Related Party Transactions

The District has a cooperative service agreement with Downtown STL, Inc., a private, not-for-profit entity related through common management, as described in Note 5.

The District expended \$1,200 and \$14,400 during the years ended June 30, 2015 and 2014, respectively, in rent for the Downtown Bike Station to a property management firm whose co-owner is a Director of the District.

The District expended \$42,854 and \$41,478 during the years ended June 30, 2015 and 2014, respectively, in rent for the Downtown Police Substation to a property management firm whose principal is a Director of the District.

The District expended \$53,149 and \$45,411 during the years ended June 30, 2015 and 2014, respectively, for streetscape services to an organization whose executive management is a Director of the District.

The District expended \$21,650 and \$22,075 during the years ended June 30, 2015 and 2014, respectively, for consulting services on new branding with a company whose executive management is a Director of the District.

The District expended \$16,120 and \$15,230 during the years ended June 30, 2015 and 2014, respectively, for the design and installation of signage with a company whose executive management is a Director of the District.

The District expended \$12,500 and \$0 during the years ended June 30, 2015 and 2014, respectively, for a District sponsored event whose creator is a Director of Downtown STL, Inc.

The District expended \$9,950 and \$0 during the years ended June 30, 2015 and 2014, respectively, for a university building design competition whose executive management is a Director of Downtown STL, Inc.

The District expended \$55,667 and \$50,000 during the years ended June 30, 2015 and 2014, respectively, for a contribution to a not-for-profit downtown incubator whose director is executive management of the District.

Note 8. Grant Award Agreement

A grant award agreement between Arch Grants, the recipient, and the District was made on May 25, 2012 for \$500,000. Arch Grants is an entity that provides opportunities to create new businesses located in the District and fosters an entrepreneurial environment in the District by funding entrepreneurial startups with grants. During 2015 and 2014, the District distributed \$150,000 and \$200,000, respectively. Distributions since the inception of the grant award agreement through June 30, 2015 total \$500,000.

Note 9. Subsequent Event

On July 16, 2015, the Board of Alderman of the City of St. Louis approved Ordinance 70052 which authorized the expansion of the geographic area of the District effective January 1, 2016. The area of expansion, known as the LaClede Landing Sub-district, will be subject to the specific services, benefits and improvements as set forth in the "Management Plan Supplement", a document supplementing the "Management Plan" mentioned in Note 1.

Supplementary Information

Downtown St. Louis Community Improvement District, Inc.

Combining Schedules of Activities
Years Ended June 30, 2015 and 2014

	2015			2014		
	District Activities	Auxiliary Activities	Total	District Activities	Auxiliary Activities	Total
Changes in Unrestricted Net Assets						
Support and revenue:						
Property assessments	\$ 2,916,025	\$ -	\$ 2,916,025	\$ 2,798,648	\$ -	\$ 2,798,648
General services administration	55,397	-	55,397	69,390	-	69,390
Payments in lieu	15,000	-	15,000	15,000	-	15,000
Interest	3,366	-	3,366	2,135	-	2,135
Banner program	-	81,111	81,111	-	70,398	70,398
Cooperative promotions/marketing campaign	-	14,874	14,874	-	33,520	33,520
Festival	-	11,831	11,831	-	7,983	7,983
Contributions	-	53,151	53,151	-	-	-
Bike station dues	-	5,483	5,483	-	5,258	5,258
Housing tour	-	-	-	-	13,080	13,080
Total support and revenue	2,989,788	166,450	3,156,238	2,885,173	130,239	3,015,412
Expenses:						
Program services:						
Security	951,388	-	951,388	896,295	-	896,295
Traditional economic and housing development	458,487	-	458,487	404,817	-	404,817
Maintenance	795,522	-	795,522	764,761	-	764,761
Image and communication	138,021	-	138,021	155,963	-	155,963
Special events	101,509	-	101,509	84,974	-	84,974
Banner program	-	73,056	73,056	-	67,142	67,142
Cooperative promotions/marketing campaign	-	12,435	12,435	-	20,742	20,742
Festival	-	15,969	15,969	-	28	28
Housing tour	-	2,013	2,013	-	12,770	12,770
Bike station	-	18,779	18,779	-	17,474	17,474
Economic development	-	21,454	21,454	-	-	-
Opportunity fund	145,699	-	145,699	185,155	-	185,155
Public space	-	31,909	31,909	-	-	-
Supporting services:						
Management and general	399,162	-	399,162	393,208	-	393,208
Total expenses	2,989,788	175,615	3,165,403	2,885,173	118,156	3,003,329
(Decrease) Increase in Unrestricted Net Assets	-	(9,165)	(9,165)	-	12,083	12,083
Changes in Temporarily Restricted Net Assets						
Support and revenue:						
Contributions	-	13,758	13,758	-	-	-
Increase in Temporarily Restricted Net Assets	-	13,758	13,758	-	-	-
Total increase in net assets	-	4,593	4,593	-	12,083	12,083
Net assets:						
Beginning of year	-	148,597	148,597	-	136,514	136,514
End of year	\$ -	\$ 153,190	\$ 153,190	\$ -	\$ 148,597	\$ 148,597

