

MAIN STREET PITTSBORO, INC.

Financial Statements

Year Ended June 30, 2019



Rives & Associates, LLP
Certified Public Accountants and Consultants

MAIN STREET PITTSBORO, INC.
Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1 |
| Financial Statements: | |
| Statement of Financial Position..... | 3 |
| Statement of Activities..... | 4 |
| Statement of Functional Expenses..... | 5 |
| Statement of Cash Flows..... | 6 |
| Notes to Financial Statements | 7 |



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

Independent Auditors' Report

To the Board of Directors
Main Street Pittsboro, Inc.
Pittsboro, North Carolina

We have audited the accompanying financial statements of Main Street Pittsboro, Inc., a nonprofit organization (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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 Main Street Pittsboro, Inc. as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Rives & Associates LLP

Raleigh, North Carolina
November 4, 2019

MAIN STREET PITTSBORO, INC.
Statement of Financial Position
June 30, 2019

ASSETS

| | | |
|---------------------------|----|-------------|
| Current assets: | | |
| Cash and cash equivalents | \$ | 37,169 |
| Accounts receivable | | 250 |
| | | <hr/> |
| Total current assets | | 37,419 |
| | | <hr/> |
| Total assets | \$ | 37,419 |
| | | <hr/> <hr/> |

LIABILITIES AND NET ASSETS

| | | |
|---------------------------------------|----|-------------|
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ | 22,727 |
| | | <hr/> |
| Total current liabilities | | 22,727 |
| | | <hr/> |
| Total liabilities | | 22,727 |
| | | <hr/> |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | | 14,692 |
| Total without donor restrictions | | 14,692 |
| | | <hr/> |
| Total net assets | | 14,692 |
| | | <hr/> |
| Total liabilities and net assets | \$ | 37,419 |
| | | <hr/> <hr/> |

The accompanying notes are an integral part of these financial statements

MAIN STREET PITTSBORO, INC.
Statement of Activities
Year Ended June 30, 2019

| | <u>Without donor Restrictions</u> | <u>With donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|--------------|
| SUPPORT AND REVENUES: | | | |
| Town contributions | \$ 60,000 | \$ 15,000 | \$ 75,000 |
| Special events | 26,765 | - | 26,765 |
| Donated goods, facilities and services | 8,057 | - | 8,057 |
| Other income | 70 | - | 70 |
| | <hr/> | <hr/> | <hr/> |
| Total support and revenues | 94,892 | 15,000 | 109,892 |
| | <hr/> | <hr/> | <hr/> |
| Net assets released from restrictions | 15,000 | (15,000) | - |
| | <hr/> | <hr/> | <hr/> |
| Total support and revenues and net assets released from restrictions | 109,892 | - | 109,892 |
| | <hr/> | <hr/> | <hr/> |
| EXPENSES: | | | |
| Program services | 74,185 | - | 74,185 |
| Façade expenses | 15,000 | - | 15,000 |
| Management and general | 5,921 | - | 5,921 |
| Fundraising | 580 | - | 580 |
| | <hr/> | <hr/> | <hr/> |
| Total expenses | 95,686 | - | 95,686 |
| | <hr/> | <hr/> | <hr/> |
| Change in net assets | 14,206 | - | 14,206 |
| | <hr/> | <hr/> | <hr/> |
| Net assets at beginning of year | 486 | - | 486 |
| | <hr/> | <hr/> | <hr/> |
| Net assets at end of year | \$ 14,692 | \$ - | \$ 14,692 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes are an integral part of these financial statements

MAIN STREET PITTSBORO, INC.
Statement of Functional Expenses
Year Ended June 30, 2019

| | Program Services | Façade Expenses | Support Services | | Total |
|--|-----------------------------|----------------------------|-----------------------------------|--------------------|------------------|
| | | | Management and General | Fundraising | |
| Visitors' Center | \$ 5,000 | \$ - | \$ - | \$ - | \$ 5,000 |
| Telephone and Technology | - | - | 2,266 | - | 2,266 |
| Office Supplies & Equipment | - | - | 118 | - | 118 |
| Legal Fees | - | - | 50 | - | 50 |
| Financial Fees | - | - | 441 | - | 441 |
| Insurance | - | - | 2,190 | - | 2,190 |
| Professional Development | - | - | 856 | - | 856 |
| Marketing, Communication and Public Relations | 18,396 | - | - | 580 | 18,976 |
| Events | 28,045 | - | - | - | 28,045 |
| Design | 22,744 | 15,000 | - | - | 37,744 |
| Total | \$ 74,185 | \$ 15,000 | \$ 5,921 | \$ 580 | \$ 95,686 |

The accompanying notes are an integral part of these financial statements

MAIN STREET PITTSBORO, INC.
Statement of Cash Flows
Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|---------------|
| Change in net assets | \$ 14,206 |
| Changes in assets and liabilities that provided (used) cash: | |
| Accounts receivable | (250) |
| Accounts payable and accrued expenses | <u>22,727</u> |

Net cash provided (used) by operating activities 36,683

CASH FLOWS FROM INVESTING ACTIVITIES:

Net cash provided (used) by investing activities -

CASH FLOWS FROM FINANCING ACTIVITIES:

Net cash provided (used) by financing activities -

Net increase (decrease) in cash and cash equivalents 36,683

**CASH AND CASH EQUIVALENTS AT
BEGINNING OF YEAR**

486

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 37,169

Supplemental information

 Interest paid \$ -

The accompanying notes are an integral part of these financial statements

MAIN STREET PITTSBORO, INC.
Notes to Financial Statements
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Main Street Pittsboro, Inc. (the “Organization”) is a nonprofit corporation organized on March 15, 2017 in order to improve the design, promotion & marketing, and economic vitality of the area.

Basis of Presentation

The Organization has adopted FASB Accounting Standards Codification (ASC) 958-205 and subsections *Financial Statements of Not-for-Profit Commission* and the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Organization’s liquidity, financial performance, and cash flows. Under this standard, the Organization is required to report 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 are defined as follows:

Net assets without donor restrictions – net assets without donor restrictions include resources, which are available for the support of the Organization’s operating activities.

Net assets with donor restrictions – net assets with donor restrictions include resources that have been donated to the Organization subject to restrictions as defined by the donor. These restrictions are met either by the actions of the Organization and/or the passage of time. When the restriction expires as a result of the lapse of time requirement or achievement of the specified purpose stipulated, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets releases from restrictions.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Grants and Contributions

The Organization records contributions received as with donor restrictions or without donor restrictions support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions.

MAIN STREET PITTSBORO, INC.
Notes to Financial Statements
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give using a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In-kind Contributions

Contributed services and property are recorded at their estimated fair value at the date of donation. The Organization reports in-kind contributions as revenue without donor restrictions. Donated services of nonprofessional volunteers are not recorded as revenue and expense since there is no objective basis available to measure the value of such services.

Grants Receivable

Grants that are considered the equivalent of contributions are recorded as revenues at their fair values when they become unconditional. Grants that are expenditure reimbursement based are considered unconditional when the expenditures are incurred. Grants with restrictions are recorded as net assets with donor restrictions until the restrictions are met or if the grantor has specified that the gift principal remains intact. When grant-imposed restrictions have been met, amounts previously reported as with donor restrictions are reported in the statements of activities as net assets released from donor restrictions.

Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents includes balances on deposit in financial institutions, cash on hand and other highly liquid resources, such as interest bearing money market accounts, with an original maturity date of three months or less.

Income Taxes

The Organization is exempt from income taxes as a not-for-profit organization under Internal Revenue Service ("IRS") code section 501(c)(3) and from state income taxes under similar provisions of North Carolina tax laws. During the year ended June 30, 2019, the Organization reported no unrelated business taxable income which is defined by the IRS as gross income derived from any unrelated trade or business that is not substantially related to the Organization's tax-exempt purpose. Accordingly, no provision for income taxes has been recorded.

MAIN STREET PITTSBORO, INC.
Notes to Financial Statements
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization adopted the provisions of FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under this provision, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation had no impact on the Organization's financial statements. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax years in progress. The Organization believes it is no longer subject to income tax examinations for the years prior to 2017. At June 30, 2019, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Advertising Expense

The Organization expenses the costs of advertising as incurred. Advertising expense was \$18,396 for the year ended June 30, 2019.

Recognition of Grant Support and Contracts

The Organization recognizes grant support and contracts to the extent that eligible grant and contract costs are incurred. Receivables are recognized to the extent that costs have been incurred, but not reimbursed. Deferred revenues are recognized to the extent that advances of funds have been made which exceed eligible costs incurred.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services.

Program services – Includes activities that contribute to the Organization's mission.

Façade expenses – Includes activities that contribute to the downtown façade project.

Supporting services – Includes activities such as management and general services required to ensure an adequate working environment, provide administrative support and manage the Organization's financial and budgetary functions.

Use of Estimates and Assumptions

The preparation of 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, 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.

MAIN STREET PITTSBORO, INC.
Notes to Financial Statements
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Items and Services (Gifts in Kind)

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2013-06, *Services Received from Personnel of an Affiliate*, which resulted in the recognition of in-kind goods, services and facilities provided by vendors.

Donated goods, materials, facilities and other noncash donations are recorded as contributions at their fair market value at their date of donation.

The Organization reports the donations as support without restriction, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed specialized services, facilities, and materials in the amount of \$8,057 have been recognized in the accompanying statement of activities for the year ended June 30, 2019. For the year ended June 30, 2019, \$8,057 was for program support.

New Standard

The Organization has adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

MAIN STREET PITTSBORO, INC.
Notes to Financial Statements
June 30, 2019

2. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in reputable financial institutions in the United States of American and accounts at each institution are insured by the Federal Deposit Insurance Corporations up to \$250,000 at each financial institution. FASB ASC 825, *Financial Instruments*, identifies these items as a concentration of credit risk requiring disclosure, regardless of risk. At June 30, 2019, the Organization's uninsured cash balance was \$0.

3. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's 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, are as follows:

| | |
|--|------------------|
| | 2019 |
| Cash and cash equivalents | \$ 37,169 |
| Accounts receivable | 250 |
| Less: Accounts payable | <u>(22,727)</u> |
| Total financial assets available to meet general Expenditures within the next 12 months | <u>\$ 14,692</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019, the Organization received \$75,000 in funding from the Town of Pittsboro. This amount includes \$6,538 of program, event and façade expenses paid directly by the Town on behalf of the Organization and also included \$13,241 of façade grant funding that was returned to the Town.

5. MAJOR SOURCES OF REVENUE AND SUPPORT

During the year ended June 30, 2019, the Organization received 68% of its total operating revenues from the Town of Pittsboro. The remaining 32% was raised through the Organization's event fundraising, donations and business sponsorships.

6. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 4, 2019 which is the date the financial statements were available to be issued.

