



## Memo

To: Discovery Property Owners  
From: Cleve Ricksecker  
Re: 2008 Audited Financial Statements  
Date: March 16, 2009

In the financial statements that follow this memo, you will notice audits for two organizations: Discovery SID and SID Public Services Association. I want to explain why two audits are provided.

Discovery SID and a neighboring district, Capital Crossroads SID, created a 501 (c) (3) association to execute their charitable work. They created SID Public Services Association to achieve several objectives:

- Provide third-party accounting for expenses and income shared by the two special improvement districts. The SIDs can reduce many of their fixed costs by sharing expenses, including administrative expenses;
- Serve as the applicant for grants on behalf of one or both of the SIDs. Most grant funding sources require a charitable recipient, and the SIDs are not charitable;
- Exempt the SIDs from paying sales taxes for goods and services used in executing their charitable functions.

Discovery SID opened a SID Public Services Association checking account in September and began paying most of its invoices through the Association at that time. As a result, income and expenses for Discovery SID are shown in audited statements for both Discovery and the Association.

This document begins with the audit for Discovery SID, then proceeds to show the audit for SID Public Services Association. Toward the back of the Association audit, you can see a breakdown of Association income and expenses for Discovery.

Discovery has completed this bookkeeping transition. Audited financial statements for 2009 should be considerably easier to read.

Please contact me if you have any questions or comments. Thank you.

**DISCOVERY SPECIAL  
IMPROVEMENT DISTRICT  
OF COLUMBUS, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2008 and 2007**

# JOHN GERLACH & COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
Discovery Special Improvement District of Columbus, Inc.  
Columbus, Ohio

## Independent Auditor's Report

We have audited the accompanying statements of financial position of Discovery Special Improvement District of Columbus, Inc. as of December 31, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the District's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Discovery Special Improvement District of Columbus, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*John Gerlach & Company LLP*

Columbus, Ohio  
February 25, 2009

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## DISCOVERY SPECIAL IMPROVEMENT DISTRICT OF COLUMBUS, INC.

## STATEMENTS OF FINANCIAL POSITION

As of December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 126,743	\$ 136,933
Accounts receivable	60,595	21,440
Note receivable - related party	3,064	-
Prepaid expenses	21,314	25,148
Deposits	-	3,064
Total Current Assets	<u>211,716</u>	<u>186,585</u>
Fixed Assets:		
Machinery and equipment, at cost	16,177	8,299
Accumulated depreciation	(3,896)	(1,170)
Net Fixed Assets	<u>12,281</u>	<u>7,129</u>
Total Assets	<u>\$ 223,997</u>	<u>\$ 193,714</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ -	\$ 19,534
Accounts payable - related party	7,044	12,232
Accrued expenses	-	5,920
Total Current Liabilities	<u>7,044</u>	<u>37,686</u>
Net Assets:		
Unrestricted	216,953	156,028
Total Liabilities and Net Assets	<u>\$ 223,997</u>	<u>\$ 193,714</u>

See Notes to Financial Statements

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## DISCOVERY SPECIAL IMPROVEMENT DISTRICT OF COLUMBUS, INC.

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue:		
Assessments	\$ 427,899	\$ 422,139
Contributions	170,595	151,868
Promotions	12,000	-
Interest	137	-
Total Revenue	<u>610,631</u>	<u>574,007</u>
Expenses:		
Safety services	257,885	320,065
Contracted services - related party	157,144	-
Outreach	23,311	11,885
Promotions	27,804	1,485
Research	307	179
General and administrative	83,255	86,211
Total Expenses	<u>549,706</u>	<u>419,825</u>
Change in Net Assets	<u>60,925</u>	<u>154,182</u>
Net Assets - Beginning of Year	156,028	1,846
Net Assets - End of Year	<u>\$ 216,953</u>	<u>\$ 156,028</u>

See Notes to Financial Statements

## DISCOVERY SPECIAL IMPROVEMENT DISTRICT OF COLUMBUS, INC.

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 60,925	\$ 154,182
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,726	1,170
Changes in assets and liabilities:		
Increase in accounts receivable	(39,155)	(21,440)
Increase in note receivable - related party	(3,064)	-
(Increase) decrease in prepaid expenses	3,834	(23,938)
(Increase) decrease in deposits	3,064	(3,064)
Increase (decrease) in accounts payable	(19,534)	18,868
Increase (decrease) in accounts payable - related party	(5,188)	12,232
Increase (decrease) in accrued expenses	(5,920)	5,920
Net Cash Provided (Used) by Operating Activities	<u>(2,312)</u>	<u>143,930</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	(7,878)	(7,333)
Net Cash Used by Investing Activities	<u>(7,878)</u>	<u>(7,333)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(10,190)</u>	<u>136,597</u>
Cash and Cash Equivalents at Beginning of Year	136,933	336
Cash and Cash Equivalents at End of Year	<u>\$ 126,743</u>	<u>\$ 136,933</u>

See Notes to Financial Statements

DISCOVERY SPECIAL IMPROVEMENT DISTRICT OF COLUMBUS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**Note 1 – Organization and Operation:**

The Discovery Special Improvement District of Columbus, Inc. (the District) is a non-profit organization providing centralized commercial management services in a 35-block area of downtown Columbus. The District provides a variety of area-wide services, including the following: environmental maintenance, visual amenities, supplemental security, promotions and marketing, and member services.

In 2005, Columbus City Council approved a five-year property assessment levy on each lot or parcel of land within the designated 35-block area of downtown Columbus to support the District. The assessment period is from July 1, 2006 through June 30, 2011, with services to be provided by the District from February 1, 2007 through December 31, 2011. Property owners are to pay a total of approximately \$424,000 annually, which is subject to a slight fluctuation due to penalties and interest. During 2008 and 2007, the District derived approximately 71% and 73% of its revenues from this property assessment, respectively.

**Note 2 – Summary of Significant Accounting Policies:**

The financial statements of the District conform to accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. They are prepared in accordance with the accrual basis of accounting, and reflect all significant receivables, payables, and other liabilities.

*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 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.

*Financial Statement 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. Temporarily restricted contributions whose restrictions are fulfilled in the same time period in which the contribution is received are reported as unrestricted contributions. As of December 31, 2008, the District had unrestricted net assets only.

*Cash and Cash Equivalents:* The District considers all short-term investments with an original maturity of three months or less to be cash equivalents.

*Assessments Receivable:* The District considers assessments receivable to be fully collectible; accordingly, no allowance for doubtful accounts is necessary.

*Fixed Assets and Depreciation:* Machinery and equipment are stated at original cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$2,726 and \$1,170 for the years ended December 31, 2008 and 2007, respectively.

*Income Taxes:* The District is recognized as exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code.

*Concentration of Credit Risk:* The District maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The District has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

DISCOVERY SPECIAL IMPROVEMENT DISTRICT OF COLUMBUS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**Note 3 – Operating Leases:**

The District leases office space under a non-cancelable operating lease which expired during 2008. Lease expense under this operating lease totaled \$7,900 and \$8,000 for the years ending December 31, 2008 and 2007, respectively. The district is currently on a month to month lease basis.

**Note 4 – Related Parties:**

The District is related to Capital Crossroads Special Improvement District of Columbus, Inc. (Capital Crossroads) through common management. The financial statements include a payable to Capital Crossroads of \$-0- and \$12,232 for the reimbursement of payroll expenses at December 31, 2008 and 2007, respectively.

The District is related to SID Public Services Association (the Association) through common management. During 2008, the District and the Association entered into an agreement whereby the District pays the Association to provide certain program and administrative services to the District. For the year ended December 31, 2008, the District paid \$150,100 to the Association under this agreement. The statements of financial position include a payable to the Association of \$7,044 and \$-0- and a receivable from the association of \$3,064 and \$-0- as of December 31, 2008 and 2007, respectively.

**SID PUBLIC SERVICES  
ASSOCIATION**

**FINANCIAL STATEMENTS**

**December 31, 2008**

# JOHN GERLACH & COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
SID Public Services Association  
Columbus, Ohio

## Independent Auditor's Report

We have audited the accompanying statement of financial position of SID Public Services Association as of December 31, 2008, and the related statements of activities and cash flows for the initial period then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SID Public Services Association as of December 31, 2008, and the changes in its net assets and its cash flows for the initial period then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 7 and 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Columbus, Ohio  
February 25, 2009

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SID PUBLIC SERVICES ASSOCIATION  
STATEMENT OF FINANCIAL POSITION

As of December 31, 2008

	<u>2008</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 74,067
Accounts receivable	16,275
Accounts receivable - related party	50,229
Prepaid expenses	4,074
Deposits	11,844
Total Current Assets	<u>156,489</u>
Total Assets	<u>\$ 156,489</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Accounts payable	\$ 115,386
Accounts payable - related party	6,304
Accrued expenses	34,799
Total Current Liabilities	<u>156,489</u>
Net Assets:	
Unrestricted	-
Total Liabilities and Net Assets	<u>\$ 156,489</u>

SID PUBLIC SERVICES ASSOCIATION

STATEMENT OF ACTIVITIES

For the Initial Period Ended December 31, 2008

	<u>2008</u>
Revenue:	
Contract	\$ 800,429
Promotions	29,641
Grants	2,250
Interest	53
Miscellaneous	2,652
Total Revenue	<u>835,025</u>
Expenses:	
Contracted services	637,817
Outreach	23,872
Public space enhancements	14,865
Promotions	82,688
Research	5,840
General and administrative	69,943
Total Expenses	<u>835,025</u>
Change in Net Assets	<u>-</u>
Net Assets - Beginning of Year	-
Net Assets - End of Year	<u><u>\$ -</u></u>

See Notes to Financial Statements

SID PUBLIC SERVICES ASSOCIATION

STATEMENT OF CASH FLOWS

For the Initial Period Ended December 31, 2008

	<u>2008</u>
Cash Flows from Operating Activities:	
Change in net assets	\$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in accounts receivable	(16,275)
Increase in accounts receivable - related party	(50,229)
Increase in prepaid expenses	(4,074)
Increase in deposits	(11,844)
Increase in accounts payable	115,386
Increase in accounts payable - related party	6,304
Increase in accrued expenses	34,799
Net Cash Provided by Operating Activities	<u>74,067</u>
Net Increase in Cash and Cash Equivalents	<u>74,067</u>
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	<u><u>\$ 74,067</u></u>

See Notes to Financial Statements

SID PUBLIC SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**Note 1 – Organization and Operation:**

SID Public Services Association (the Association) is a non-profit organization that was created by its sole members, Capital Crossroads Special Improvement District of Columbus, Inc. (Capital Crossroads) and Discovery Special Improvement District of Columbus, Inc. (Discovery), for the main purpose of executing the charitable functions of Capital Crossroads and Discovery within their respective Districts. The Association shall also be authorized to operate to perform the charitable functions of or to carry out the charitable purposes of other Ohio special improvement districts that are admitted members of the Association.

In 2008, the Association had an agreement to provide services to Capital Crossroads and Discovery. During 2008, the Association derived approximately 97% of its revenues from this agreement.

**Note 2 – Summary of Significant Accounting Policies:**

The financial statements of the Association conform to accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. They are prepared in accordance with the accrual basis of accounting, and reflect all significant receivables, payables, and other liabilities.

*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 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.

*Financial Statement Presentation:* The Association 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. Temporarily restricted contributions whose restrictions are fulfilled in the same time period in which the contribution is received are reported as unrestricted contributions. As of December 31, 2008, the Association had unrestricted net assets only.

*Cash and Cash Equivalents:* The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

*Accounts Receivable:* The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is necessary.

*Income Taxes:* The Association is recognized as exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

*Concentration of Credit Risk:* The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

SID PUBLIC SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

**Note 3 – Operating Leases:**

Capital Crossroads and Discovery lease office space under non-cancelable operating leases which expired during 2008. The Association paid for a portion of the total lease expense under these operating leases of \$14,075 for the initial period ending December 31, 2008.

**Note 4 – Related Parties:**

The Association is related to Capital Crossroads through common management. In addition, four members of the Association's eight member board of directors are appointed by Capital Crossroads. During 2008, Capital Crossroads and the Association entered into an agreement whereby the Association provides certain program and administrative services to Capital Crossroads. Total revenue recognized by the Association under this agreement was \$643,285 for the initial period ended December 31, 2008. The statement of financial position includes a payable to Capital Crossroads of \$3,240 and a receivable from Capital Crossroads of \$43,185 as of December 31, 2008.

The Association is related to Discovery through common management. In addition, four members of the Association's eight member board of directors are appointed by Discovery. During 2008, Discovery and the Association entered into an agreement whereby the Association provides certain program and administrative services to Discovery. Total revenue recognized by the Association under this agreement was \$157,144 for the year initial period ended December 31, 2008. The statement of financial position includes a payable to Discovery of \$3,064 and a receivable from Discovery of \$7,044 as of December 31, 2008.

SID PUBLIC SERVICES ASSOCIATION

STATEMENT OF FINANCIAL POSITION BY MEMBER

As of December 31, 2008

	<u>Capital Crossroads</u>	<u>Discovery</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 61,854	\$ 12,213	\$ 74,067
Accounts receivable	16,129	146	16,275
Accounts receivable - related party	43,185	7,044	50,229
Prepaid expenses	2,985	1,089	4,074
Deposits	8,376	3,468	11,844
 Total Current Assets	 <u>132,529</u>	 <u>23,960</u>	 <u>156,489</u>
 Total Assets	 <u>\$ 132,529</u>	 <u>\$ 23,960</u>	 <u>\$ 156,489</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable	\$ 100,010	\$ 15,376	\$ 115,386
Accounts payable - related party	3,240	3,064	6,304
Accrued expenses	29,279	5,520	34,799
 Total Current Liabilities	 <u>132,529</u>	 <u>23,960</u>	 <u>156,489</u>
Net Assets:			
Unrestricted	-	-	-
 Total Liabilities and Net Assets	 <u>\$ 132,529</u>	 <u>\$ 23,960</u>	 <u>\$ 156,489</u>

See Auditor's Report

SID PUBLIC SERVICES ASSOCIATION  
STATEMENT OF ACTIVITIES BY MEMBER  
For the Initial Period Ended December 31, 2008

	<u>Capital Crossroads</u>	<u>Discovery</u>	<u>Total</u>
Revenue:			
Contract	\$ 643,285	\$ 157,144	\$ 800,429
Promotions	29,641	-	29,641
Grants	2,250	-	2,250
Interest	41	12	53
Miscellaneous	2,574	78	2,652
	<u>677,791</u>	<u>157,234</u>	<u>835,025</u>
	-	-	-
Expenses:			
Contracted services	511,189	126,628	637,817
Outreach	13,353	10,519	23,872
Public space enhancements	14,865	-	14,865
Promotions	82,198	490	82,688
Research	5,251	589	5,840
General and administrative	50,935	19,008	69,943
	<u>677,791</u>	<u>157,234</u>	<u>835,025</u>
	-	-	-
Change in Net Assets	-	-	-
Net Assets - Beginning of Year	-	-	-
Net Assets - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>