

**ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.
and AFFILIATES**

Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

ANCHORAGE DOWNTOWN PARTNERSHIP, LTD. and AFFILIATES

Table of Contents

INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to the Financial Statements	7 – 13

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Anchorage Downtown Partnership, Ltd.
Anchorage, Alaska

We have audited the consolidated financial statements of Anchorage Downtown Partnership, Ltd. (a nonprofit organization) and affiliates (the Partnership), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The financial statements of Anchorage Downtown Partnership, Ltd. as of December 31, 2021, were audited by other auditors whose report dated July 20, 2022, expressed an unqualified opinion on those statements.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Foster and Company, LLC

Foster and Company, LLC
Wasilla, Alaska
XXXX XX, 2023

ANCHORAGE DOWNTOWN PARTNERSHIP, LTD. and AFFILIATES
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	1,051,008	1,329,417
Accounts receivable	12,381	49,351
Prepaid expenses	26,647	12,614
	<u>1,090,036</u>	<u>1,391,382</u>
Operating lease right of use	22,000	30,000
Property, vehicles and equipment	584,688	578,546
Less accumulated depreciation	(498,499)	(479,540)
Total property, vehicles and equipment - net	<u>86,189</u>	<u>99,006</u>
TOTAL ASSETS	\$ <u>1,198,225</u>	\$ <u>1,520,388</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Current		
Accounts payable	\$ 59,377	\$ 66,212
Accrued liabilities	79,259	73,558
Refundable advances	145,335	161,969
Current portion of notes payable	-	19,574
	<u>283,971</u>	<u>321,313</u>
Operating lease obligations	22,000	30,000
Notes payable, net of current portion	-	180,636
	<u>305,971</u>	<u>531,949</u>
TOTAL LIABILITIES	<u>305,971</u>	<u>531,949</u>
NET ASSETS		
Without Donor Restrictions	<u>892,254</u>	<u>988,439</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,198,225</u>	\$ <u>1,520,388</u>

See Independent Auditor's Report and accompanying notes to the financial statements.

ANCHORAGE DOWNTOWN PARTNERSHIP, LTD. and AFFILIATES
Consolidated Statements of Activities
Years Ended December 31, 2022 and 2021

	2022	2021
Change in Net Assets without Donor Restrictions:		
Revenues and Support		
Assessment contract	\$ 1,035,872	\$ 1,075,321
Events	123,005	25,000
Grants	114,134	249,501
Contracts	115,177	155,378
Sponsorships	76,332	47,255
Memberships	30,251	14,348
Other	403,333	157,439
Total Revenues and Support	1,898,104	1,724,242
Operating Expenses		
Program services:		
Clean and safe	1,010,699	804,917
Events and marketing	313,408	236,123
Total program services	1,324,107	1,041,040
Supporting activities:		
General and administrative	670,182	639,077
Total Expenses	1,994,289	1,680,117
Change in Net Assets without Donor Restrictions from Operations	(96,185)	44,125
Net assets, beginning of year	988,439	944,314
Net assets, end of year	\$ 892,254	\$ 988,439

See Independent Auditor's Report and accompanying notes to the financial statements.

ANCHORAGE DOWNTOWN PARTNERSHIP, LTD. and AFFILIATES
Consolidated Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

	Program Services			Supporting Activities	2022 Total
	Clean and Safe	Events and Marketing	Total	General and Administrative	
Personnel	\$ 792,805	165,154	957,959	341,251	\$ 1,299,210
Contract and professional services	22,788	140,383	163,171	146,023	309,194
Supplies	109,223	331	109,554	7,592	117,146
Insurance	-	2,848	2,848	64,120	66,968
Equipment and repairs	52,378	2,547	54,925	11,120	66,045
Facilities	20,771	-	20,771	41,956	62,727
Communications	8,947	-	8,947	780	9,727
Travel and training	642	60	702	1,085	1,787
Depreciation	-	-	-	33,104	33,104
Other	3,145	2,085	5,230	23,151	28,381
	\$ 1,010,699	313,408	1,324,107	670,182	\$ 1,994,289

	Program Services			Supporting Activities	2021 Total
	Clean and Safe	Events and Marketing	Total	General & Administrative	
Personnel	\$ 601,991	60,857	662,848	359,579	\$ 1,022,427
Contract and professional services	27,521	167,412	194,933	97,865	292,798
Supplies	88,530	2,379	90,909	6,998	97,907
Insurance	-	943	943	50,553	51,496
Equipment and repairs	36,241	251	36,492	3,764	40,256
Facilities	16,736	-	16,736	42,621	59,357
Communications	18,069	-	18,069	-	18,069
Travel and training	279	125	404	5,032	5,436
Depreciation	-	-	-	37,548	37,548
Other	15,550	4,156	19,706	35,117	54,823
	\$ 804,917	236,123	1,041,040	639,077	\$ 1,680,117

See Independent Auditor's Report and accompanying notes to the financial statements.

ANCHORAGE DOWNTOWN PARTNERSHIP, LTD. and AFFILIATES
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets without Donor Restrictions from Operations	\$ (96,185)	\$ 44,125
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	33,104	37,548
(Increase) Decrease in Assets:		
Accounts Receivable	36,970	(4,375)
Prepaid expenses	(14,033)	5,330
Increase (Decrease) in Liabilities:		
Accounts payable	(6,835)	15,743
Accrued liabilities	5,701	18,413
Refundable advances	(16,634)	155,321
Net Cash Provided (Used) by Operating Activities	(57,912)	272,105
Cash Flows from Investing Activities:		
Additions to Property, Vehicles and Equipment	(20,287)	(57,701)
Disposals of Property, Vehicles and Equipment	14,145	-
Recapture of Depreciation	(14,145)	-
Net Cash Provided (Used) by Investing Activities	(20,287)	(57,701)
Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Program	-	200,210
Principal payments on notes payable	(200,210)	(3,230)
Net Cash Provided (Used) by Investing Activities	(200,210)	196,980
Net Increase (Decrease) in Cash and Cash Equivalents	(278,409)	411,384
Cash and Cash Equivalents, Beginning of Year	1,329,417	918,033
Cash and Cash Equivalents, End of Year	\$ 1,051,008	\$ 1,329,417
Cash and Cash Equivalents:		
Without Donor Restrictions	\$ 1,051,008	\$ 1,329,417

See Independent Auditor's Report and accompanying notes to the financial statements.

**ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.
and AFFILIATES**

Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 1 – NATURE OF ACTIVITIES

On January 2, 1996, Anchorage Downtown Partnership, Ltd., (ADP) was founded as a nonprofit corporation whose purpose is to promote a safe, clean and vital downtown Anchorage. In 2003, Anchorage Downtown Partnership, Ltd. formed two subsidiaries; ADP Development Corporation and ADP Community Services. ADP Development Corporation was formed as a holding company that leases property to ADP and its affiliates. ADP Community Services was formed to act as a 501(c)(3) nonprofit organization in order to accept tax-deductible donations from corporate and individual donors to be used to finance charitable and civic events within the downtown Anchorage area.

Currently, a majority of the board of directors for the two subsidiaries are either members of Anchorage Downtown Partnership, Ltd.'s management or the ADP Board of Directors. ADP Development Corporation and ADP Community Services contract management services from ADP. ADP has both an economic interest in ADP Development Corporation and ADP Community Services, and control of these organizations through a majority voting interest in their board of directors. Accordingly, the accompanying financial statements include the accounts of Anchorage Downtown Partnership Ltd., ADP Development Corporation, and ADP Community Services (collectively ADP). All intercompany accounts have been eliminated in consolidation.

ADP achieves its purpose by providing the following services:

Events and Marketing - ADP oversees the Downtown Improvement District encompassing 120 city blocks. ADP works to enhance the vitality of the downtown community by advocating for downtown businesses and the community and providing free community events to draw visitors into the downtown area.

Clean and Safe - ADP provides cleaning services to keep sidewalks clear of snow, ice, and debris, and security services to provide assistance to those at risk, support for emergency personnel and helpful directions to those visiting downtown.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of FASB Accounting Standards Codification (FASB ASC) 958-205, *Not-For-Profit Entities – Presentation of Finance Statements*. Under these provisions, the Association 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 Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

See Independent Auditor's Report

**ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.
and AFFILIATES**

Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

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. Donor-imposed restrictions are released when a restriction expires (when the stipulated time has elapsed), when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When the 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.

All net assets of ADP are net assets without donor restrictions at December 31, 2022 and 2021.

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Revenue Recognition

All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Event and contract revenues are recognized at the time the services are provided and the revenues earned. Membership payments received from ADP members are considered equivalent to contributions without donor restrictions and are recognized as revenue when received. The Partnership evaluates each award to determine whether to follow contribution guidance or exchange transaction guidance based on the applicable standards. This determination is based on whether the resource provider is receiving commensurate value in return for the resources transferred. For revenue recognition, the Partnership evaluates if the amount awarded includes donor-imposed conditions or restrictions.

ADP applies the provisions of Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. ASC 606 outlines a five-step model whereby revenue is recognized as performance obligations within the contract are satisfied.

ADP disaggregates revenue from contracts with customers by contract type and customer, as the Association believes these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Performance obligations related to the Partnership's contracts are satisfied over time as work progresses. Significantly all of ADP's contracts are service contracts, a time-elapsed output method is used to measure progress, and revenue is recognized straight-line over the term of the contract. Contract costs include labor and material.

The Partnership recognizes a liability for payments in excess of revenue recognized, which is presented as a contract liability on the balance sheet.

See Independent Auditor's Report

**ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.
and AFFILIATES**

Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Grants

Grant revenues that are paid by the grantor on a cost-reimbursable basis are deemed to be earned and reported as revenues when ADP has incurred the related costs.

Contributions

Contributions received are recorded with donor restrictions or without donor restrictions based on donor stipulations limiting the use of the contributions either through time or purpose restrictions.

All donor-restricted support is reported as an increase to net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Functional Expenses

Anchorage Downtown Partnership, Ltd. (ADP) charges direct expenses incurred for a specific function directly to the program or supporting service category. These costs are those that can be specifically identified as being incurred for the activities of that program or supporting service. Other costs that are incurred by ADP benefit more than one program or supporting service and are allocated on a reasonable basis based on management estimation of use by program that is consistently applied. Salaries and benefits, not directly charged, are allocated on the basis of estimates of time and effort. ADP reevaluates its allocation method each year to determine if there are adjustments that are necessary to the allocation method based on actual activities conducted during the year.

Income Taxes

ADP is exempt from Federal income tax as organizations described in Section 501(c)(6) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code, is subject to Federal income tax. ADP Community Services is exempt from Federal income tax under Section 501(c)(3) and ADP Development Corporation is exempt under Section 501(c)(2).

ADP applies the provisions of Topic 740 of the FASB Accounting Standards Codification relating to accounting for uncertainty in income taxes. ADP annually reviews its return and positions taken in accordance with the recognition standards. ADP believes that it has no uncertain tax positions taken in accordance with the recognition standards that would require disclosure or adjustment in these financial statements.

See Independent Auditor's Report

**ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.
and AFFILIATES**

Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Cash and Cash Equivalents

Cash and cash equivalents consist of monies in checking and savings accounts. Cash equivalents are carried at cost, which approximates fair value.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and presented net of the allowance for uncollectible accounts. The allowance for uncollectible accounts is ADP's best estimate of the amount of probable credit losses in ADP's existing accounts receivable. ADP determines the allowance based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the December 31 year-end, are recorded as prepaid expenses.

Property and Equipment

Property and equipment consist of computers, furniture, office equipment, capital lease improvements, and vehicles and is carried at original cost if purchased and at estimated fair value if received by donation. Expenses for maintenance and repairs are charged to expense as incurred, and expenses for major renovations are capitalized. All expenses for equipment in excess of \$5,000 and an estimated life greater than one year are capitalized. Depreciation is provided over the estimated useful life of the assets of three to five years, on a straight-line basis.

Use of Estimates

In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the date of the statement of the financial position of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those estimates.

Annual Leave

Employees can earn annual leave. Unused annual leave is accrued utilizing current salary cost and is recorded as a current liability in the period earned.

See Independent Auditor's Report

**ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.
and AFFILIATES**

Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

New Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The objective of this Topic is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Anchorage Downtown Partnership, Ltd.’s cash is maintained in checking and investment accounts. ADP includes cash on deposit, cash on hand, and money market funds as cash equivalents. Deposits totaling \$806,891 and \$683,802 were uninsured by the FDIC at December 31, 2022 and 2021, respectively.

NOTE 4 – AVAILABILITY AND LIQUIDITY

Anchorage Downtown Partnership, Ltd. manages its liquid resources by maintaining their current cash balances with a local banking institution. The bank accounts have no obligations or restrictions, and the cash is accessible for operating needs. As of December 31, 2022, ADP does not have any restrictions or long-term obligation on its cash. ADP focuses on collecting receivables time to maximize the cash collections due to ADP. Anchorage Downtown Partnership, Ltd.’s financial assets available within one year of the statement of financial position date for general expenditure are as follows at December 31:

	2022	2021
Cash and cash equivalents	\$ 1,051,008	\$ 1,329,417
Accounts receivable	12,381	49,351
Total	\$ 1,063,389	\$ 1,378,768

NOTE 5 – PROPERTY, VEHICLES AND EQUIPMENT

As summary of property, vehicles, and equipment is as follows at December 31:

	2022	2021
Equipment	\$ 346,870	\$ 354,515
Vehicles	191,282	177,495
Capital lease improvements	46,536	46,536
	584,688	578,546
Less accumulated depreciation	(498,499)	(479,540)
Net property and equipment	\$ 86,189	\$ 99,006

See Independent Auditor’s Report

**ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.
and AFFILIATES**

Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 5 – PROPERTY, VEHICLES AND EQUIPMENT, *continued*

Depreciation expense for the years ended December 31, 2022 and 2021 was \$33,104 and \$37,548, respectively. During FY22, the Organization purchased equipment with a cost of \$20,287 and disposed of fully depreciated equipment with a cost of \$14,145.

NOTE 6 – OPERATING LEASES

The Organization has an operating lease in Anchorage, Alaska for office space under the following terms:

The following minimum lease payments due are:

<u>Property</u>	<u>Lease Term</u>	<u>Monthly Amount</u>	<u>Total Lease Cost</u>
Office space	11/01/22– 08/31/23	\$ 2,750	\$ 22,000

Lease expense was \$30,000 for each of the years ended December 2022 and 2021. Future minimum lease obligations total \$22,000 for FY23.

NOTE 7 – PAYCHECK PROTECTION PROGRAM

On April 14, 2021, the Company received \$200,210 from the Small Business Administration under the Paycheck Protection Program. Monthly payments will begin in July of 2022 with an interest rate of 1%, until maturity in June 2027. The balance on the note payable at December 31, 2021 is \$200,210. ADP received loan forgiveness from the Small Business Administration (SBA) and is not responsible for repaying the funds received.

NOTE 8 – RETIREMENT PLAN

ADP provides a simple IRA plan for eligible employees. The Plan covers all ADP employees who have completed one year of service. The Plan provides an employer match of 100% for all employee contributions up to 3.0% of the employee's defined eligible compensation. ADP contributed \$6,173 and \$9,195 to the plan during the years ended December 31, 2022 and 2021, respectively.

**ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.
and AFFILIATES**

Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 9 – COMITMENTS AND CONTINGENCIES

Significant Contract

ADP receives revenues and support from the Municipality of Anchorage (MOA) in the form of an assessment contract and grant. Proceeds are subject to adjustment and refund should the MOA ultimately disallow any costs reported by ADP. Significant adjustments are not anticipated related to this activity, and no provision is made in the accompanying financial statements for any adjustment to revenues that would arise in the event of disallowed costs.

NOTE 10 – CONCENTRATIONS OF SUPPORT

For the years ended December 31, 2022 and 2021, ADP received 67% and 62%, respectively, of its funding from the Municipality of Anchorage for general operations assessment grants, various contracts, sponsorships and fees. A significant reduction in the level of this support, if this were to occur, may have an effect on ADP's programs and activities.

NOTE 11 – RELATED PARTIES

Anchorage Downtown Partnership, Ltd.'s Board of Directors includes individuals from organizations that provide funding to the Partnership and are in positions that can exercise significant influence on those organizations. The Partnership received the following during 2021 from those organizations:

	<u>2022</u>	<u>2021</u>
Alaska Railroad Corporation	\$ 52,582	\$ 60,551
Port of Alaska in Anchorage	-	5,250
49 th St. Brewing Company	-	1,077

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through **XXXX XX**, 2023, that date which the financial statements were available for issue. No events were identified that would require disclosure according to generally acceptable accounting principles.