

**HARRISBURG DOWNTOWN  
IMPROVEMENT DISTRICT, INC.**

**Harrisburg, Pennsylvania**

Financial Audit Report

For the Years Ended December 31, 2018 and 2017

**HARRISBURG DOWNTOWN  
IMPROVEMENT DISTRICT, INC.**

Harrisburg, Pennsylvania

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Harrisburg Downtown Improvement District, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Harrisburg Downtown Improvement District, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, statements of functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated 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 consolidated 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 the Harrisburg Downtown Improvement District, Inc. as of December 31, 2018 and 2017, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Harrisburg Downtown Improvement District, Inc. 2017 financial statements, and our report dated April 30, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Klucik & Associates PC*

Shamokin, Pennsylvania  
April 5, 2019

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Harrisburg Pennsylvania**  
**Statements of Financial Position**  
**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 353,009	\$ 404,394
Assessments Receivable, Net of Allowance for Doubtful Accounts of \$1,000	2,596	749
Other Receivable	3,390	3,660
Prepaid Expenses	24,159	7,010
<b>Total Current Assets</b>	383,154	415,813
<b>Property, Equipment, &amp; Leasehold Improvements</b>		
Leasehold Improvements	30,000	30,000
Furniture & Equipment	64,232	64,232
<b>Total Property, Equipment, &amp; Leasehold Improvements</b>	94,232	94,232
Less: Accumulated Depreciation	(94,232)	(94,232)
<b>Total Property, Equipment, &amp; Leasehold Improvements (Net of Accumulated Depreciation)</b>	-	-
<b>Other Assets</b>		
Project Costs	84,595	84,595
Less: Accumulated Amortization	(68,707)	(65,728)
<b>Total Other Assets</b>	15,888	18,867
<b>Total Assets</b>	\$ 399,042	\$ 434,680
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 25,467	\$ 29,909
<b>Total Liabilities</b>	25,467	29,909
<b>Net Assets:</b>		
Without Donor Restrictions	373,575	404,771
<b>Total Net Assets</b>	373,575	404,771
<b>Total Liabilities and Net Assets</b>	\$ 399,042	\$ 434,680

The accompanying notes are an integral part of these financial statements.

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**

**Harrisburg, Pennsylvania**

**Statements of Activities and Changes in Net Assets**

**For the Years Ended December 31, 2018 and 2017**

	<b>2018 Without Donor Restrictions</b>	<b>2017 Without Donor Restrictions</b>
<b>Operating Activities:</b>		
<b>Operating Revenue</b>		
Property Assessments, Net of Discounts, Interest, and Penalty	\$ 628,969	\$ 626,603
Tax-exempt Contributions	41,937	40,000
Special Projects	11,025	37,905
Cleaning Fee Revenue	12,300	14,350
Special Events	31,856	25,425
<b>Total Operating Revenues</b>	<u>726,087</u>	<u>744,283</u>
<b>Operating Expenses</b>		
Program Services	636,851	678,122
Supporting Services	123,035	124,107
<b>Total Operating Expenses</b>	<u>759,886</u>	<u>802,229</u>
<b>Changes in Net Assets from Operating Activities</b>	<u>(33,799)</u>	<u>(57,946)</u>
<b>Nonoperating Activities</b>		
Interest Income	2,603	1,545
<b>Changes in Net Assets from Nonoperating Activities</b>	<u>2,603</u>	<u>1,545</u>
<b>Changes in Net Assets</b>	<u>(31,196)</u>	<u>(56,401)</u>
<b>Net Assets, Beginning</b>	<u>404,771</u>	<u>461,172</u>
<b>Net Assets, Ending</b>	<u>\$ 373,575</u>	<u>\$ 404,771</u>

The accompanying notes are an integral part of these financial statements.

HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.

Harrisburg, Pennsylvania

Statements of Functional Expenses

For the Year Ended December 31, 2018 and 2017

	<b>Program Activities</b>	<b>Supporting Activities</b>	<b>2018 Total Expenses</b>	<b>2017 Total Expenses</b>
Cleaning Services	\$ 257,928	\$ -	\$ 257,928	\$ 261,281
Public Safety	62,978	-	62,978	68,382
Beautification Programs	29,497	-	29,497	21,729
Community Events	70,144	-	70,144	70,124
Management Salaries	65,000	28,000	93,000	90,000
Other Salaries	23,983	55,959	79,942	88,750
IRA Expense	3,120	1,337	4,457	5,295
Other Employee Benefits	14,562	6,241	20,803	21,172
Payroll Taxes	9,837	4,216	14,053	14,365
Professional Fees	35,670	-	35,670	13,579
Advertising & Promotion	31,732	-	31,732	51,951
Rent Expense	31,892	-	31,892	31,423
Office Expenses	-	12,797	12,797	8,855
Information Technology	-	1,965	1,965	1,826
Conferences & Meetings	-	3,922	3,922	1,146
Amortization	-	2,979	2,979	4,451
Insurance	-	5,619	5,619	5,397
All Other Expenses	508	-	508	42,503
<b>Total Program &amp; Supporting Activities</b>	<b>\$ 636,851</b>	<b>\$ 123,035</b>	<b>\$ 759,886</b>	<b>\$ 802,229</b>

The accompanying notes are an integral part of these financial statements.

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Harrisburg, Pennsylvania**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities</b>		
Changes in Unrestricted Net Assets	\$ (31,196)	\$ (56,401)
Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash Provided by (Used in) Operating Activities		
Amortization	2,979	4,451
(Increase) Decrease in Assets:		
Assessments Receivable	(1,847)	967
Other Receivable	270	81,483
Prepaid Expenses	(17,151)	(18)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(4,440)	(18,278)
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>(51,385)</b>	<b>12,204</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(51,385)</b>	<b>12,204</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>404,394</b>	<b>392,190</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 353,009</b>	<b>\$ 404,394</b>

The accompanying notes are an integral part of these financial statements.



**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 1 – Organization**

The Harrisburg Downtown Improvement District, Inc., a Pennsylvania non-profit corporation, (the “Corporation”) was formed on April 22, 2004, under the provisions of the Neighborhood Improvement District Act, as of December 20, 2000, to provide neighborhood improvement district management association services, overseeing a neighborhood improvement district located in the Downtown Business District of Harrisburg, Pennsylvania. Such services shall include services which improve the ability of commercial establishments to service its consumers, transportation, public relations programs, advertising, district maintenance, security services, and services which improve the ability of property owners to enjoy a safer and more attractive neighborhood.

Upon the approval of a plan for business improvements and administrative services by the Corporation’s Board of Directors, a public hearing was held on June 29, 2004. Neither the Corporation nor the office of the Harrisburg City Clerk received objections within 45 days of the hearing and on September 14, 2004, the Council of the City of Harrisburg ratified the plan, established a Neighborhood Improvement District and authorized the Corporation to administer just services to the District. The adoption of this ordinance allowed the Corporation, effective October 1, 2004, to replace the Harrisburg Downtown Improvement District Authority (Authority) by providing the same business improvements and administrative services to a larger downtown business district. Upon the adoption of various resolutions, the Authority was terminated effective September 30, 2004 and all the Authority’s assets, liabilities, and contractual rights were assumed by the Corporation.

On September 12, 2017 the Corporation was reauthorized by Council of the City of Harrisburg to administer services and expand the District boundaries for a five-year term beginning January 1, 2018 and ending December 31, 2022.

There are nine members on the Corporation’s board representing all classes of property and each shall serve without compensation.

The Corporation’s operations are not dependent on any vendor, nor is there any concentration of supplies or materials that could materially influence its operation.

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

**Reporting Entity**

The Corporation was created under the provisions of the Neighborhood Improvement District Act to provide certain business improvements and administrative services to downtown Harrisburg, Pennsylvania. These financial statements include operations of all activities for which the Corporation has financial responsibility.

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

**Basis of Presentation**

The financial statements of the Corporation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Corporation and changes therein are classified as follows:

**Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. The Corporation’s board may designate assets without restrictions for specific operational purposes from time to time.

**Net Assets With Donor Restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Corporation has no Net Assets With Donor Restrictions.

Information for the year ended December 31, 2017, is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America and presented for comparative purposes only.

As of December 31, 2018, and 2017 the Corporation’s net assets of \$373,575 and \$404,771 were without donor restrictions.

	2018	2017
Net Assets Without Donor Restrictions	\$ 373,575	\$ 404,771

Grants and contract funding which are restricted to the use of the Corporation’s programs are reflected as unrestricted revenue when they are received and spent during the same year.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and mutual funds secured by government securities. The Corporation considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents for purposes of the Statements of Cash Flows. The carrying amount reported in the Statements of Financial Position for cash and cash equivalents approximates their fair value.

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Marketing and Advertising Costs**

The Corporation expensed advertising costs as incurred. Total marketing and advertising expense for the years ended December 31, 2018 and 2017 amounted to \$31,732 and \$51,951 respectively.

**Concentrations of Credit Risk**

Credit risk is limited to assessments receivable, investments, and cash balances. As of December 31, 2018, the Corporation had \$103,108 and \$201,897 on deposit in each money market account.

**Contributions**

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

**Measure of Operations**

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Corporation's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

**Assessments Receivable & Other Receivables**

Assessments receivable are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance for this account is \$1,000. Management’s periodic evaluation of the adequacy of the allowance is based on experience, aging of the receivables, adverse situations that may affect a property owner’s ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

**Property, Equipment and Leasehold Improvements**

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the useful lives of the assets. The cost of maintenance and repairs is charged to income as incurred, whereas significant renewals and enhancements are capitalized, and deduction is made for retirements resulting from renewals or enhancements.

Leasehold improvements pertain to the design and construction of certain improvements within the Corporation’s leased space, which are stated at cost and depreciated over the lease term using the straight-line method of depreciation.

Management has set a policy using a dollar amount to capitalize expenditures of \$5,000. Management reviews expenditures to determine whether to capitalize.

All reported capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Furniture and Equipment	5 to 10
Leasehold Improvements	10 to 20

**Property Assessments**

Revenue resulting from the assessments of real property located within the District is the Corporation’s primary source of funding. Once enacted, the assessments are obligations of the property owners for the period representing the Corporation’s existence. Property owners authorized an assessment of 1.75 mils for the years ending through December 31, 2018. Tax-exempt properties that have decided to pay a contribution in lieu of assessment is recorded only when such contributed assessments are received.

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

**Property Assessments-Continued**

During the years ended December 31, 2018 and 2017, the Corporation received \$41,937 and \$40,000 respectively of such in lieu of assessments. The related income was recorded as tax-exempt contributions.

Real estate assessments attach an enforceable lien on property as of January 1. Assessments paid through March 31 are given a 2% discount. Amounts paid after June 30 are assessed a 4% penalty and amounts paid after September 30 are assessed an 8% penalty. After December 31, a lien may be placed on the property for unpaid real estate assessments.

**Tax-Exempt Status**

The Corporation is a non-profit corporation that is exempt from income tax under provisions of Internal Revenue Code Section 501(c) (3), and state income tax statutes, to be excluded from taxes on exempt function income. Therefore, no provision is made for taxes on income.

The Corporation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires an assessment of the Corporation's exposure to income taxes at the entity level due to uncertain tax positions taken in current and previously-filed tax returns. Examples of tax positions taken at the entity level include continuing qualification as a tax-exempt organization and whether there are any taxable unrelated business income activities conducted. Any tax benefits associated with uncertain tax positions that exceed a realization threshold must be recorded as a liability for unrecognized tax benefits in the financial statements, along with any associated interest and penalties. Presently, management believes that it is more likely than not that its tax positions will be sustained upon examination, including any appeals and litigation, and therefore believes that the Corporation has no exposure to income taxes from uncertain tax positions.

The Corporation's Federal Exempt Organization Business Income Tax Returns for the years ended December 31, 2017, 2016 and 2015 remain subject to examination by the Internal Revenue Service.

**Accounting Standards Adopted**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

**Accounting Standards Not Yet Adopted**

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The amendments in this Update are provided to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, e.g. Topic 606, and (2) determining whether a contribution is conditional.

The amendments in this Update are applicable for contributions received or made during annual periods beginning after June 15, 2018 (e.g. fiscal year-end June 30, 2019), in which an entity is either a public-business entity or a not-for-profit that has issued, or is a conduit-bond obligor for, securities that are traded, listed, or quoted on an exchange or over-the-counter. For all other entities, the amendments in this Update are applicable to annual periods beginning after December 15, 2018. Early adoption of the amendments is permitted. The amendments in this Update are to be applied on a modified-prospective basis, although retrospective application is permitted. Under a modified prospective basis, in the first set of financial statements following the effective date, the amendments should be applied to agreements that are either (1) not completed as of the effective date, or (2) were entered after the effective date. Management is currently evaluating the effect that the amendments will have on the Corporation’s financial statements.

**Functional Allocation of Expenses**

The Corporation allocates its expenses on a functional basis among its various programs and support activities. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification.

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and Benefits	Time and Effort
Occupancy	Square Footage
Professional Services	Full Time Equivalent
Office	Full Time Equivalent
Information Technologies	Full Time Equivalent
Travel	Time and Effort
Depreciation	Square Footage
All Others	Time and Effort

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

The functional expense classification of providing these services consist of the following for the years ended December 31, 2018 and December 31, 2017:

	2018	2017
Program Activities	\$ 636,851	\$ 678,122
Supporting Activities	123,035	124,107
Total	\$ 759,886	\$ 802,229

**Subsequent Events**

The Corporation has evaluated subsequent events through April 5, 2019 which is the date the financial statements were available to be issued.

**Note 3 - Cash and Deposits**

Demand deposits in banks are financial instruments which are subject to risk due to the \$250,000 maximum, Federal Deposit Insurance Corporation (FDIC)-insurance coverage.

As of December 31, 2018, and 2017, there were no cash or cash equivalents for which there remain donor-imposed temporary or permanent restrictions. The total cash balance of \$353,009 consists of the following:

Petty Cash	\$	200
Checking Account		44,135
Cash - Visa Check Card		2,543
Health Reimbursement		1,126
Money Market		103,108
Money Market 2		201,897
<b>Total</b>	<b>\$</b>	<b>353,009</b>

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 4 – Property, Equipment, and Leasehold Improvements**

Property, equipment, and leasehold improvements consist of the following as of December 31, 2018:

	<u>2018</u>	<u>2017</u>
Leasehold Improvements	\$ 30,000	\$ 30,000
Visitor Information Center Equipment	6,897	6,897
Marketing and Office Equipment	<u>57,335</u>	<u>57,335</u>
Subtotal	94,232	94,232
Accumulated Depreciation	<u>(94,232)</u>	<u>(94,232)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

Project costs consist of the following as of December 31, 2018:

	<u>2018</u>	<u>2017</u>
Plaza Improvement Project Costs	\$ 39,908	\$ 39,908
DID Territory Improvement Project Costs	<u>44,687</u>	<u>44,687</u>
Subtotal	84,595	84,595
Accumulated Depreciation	<u>(68,707)</u>	<u>(65,728)</u>
Total	<u>\$ 15,888</u>	<u>\$ 18,867</u>

Amortization expense for the years ended December 31, 2018 and 2017 amounted to \$2,979 and \$4,451 respectively.

**Note 5 – Transactions with Related Parties**

The Corporation executed a lease agreement, with a corporation for which a board member is also an employee of such corporation. The leased space, which is in the Corporation's District, consists of three offices and an area currently being used as a Visitors Information Center, for a total useable area of 1,876 square feet, and three parking spaces located in the corporation's parking garage.



**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 5 – Transactions with Related Parties-Continued**

An amendment to the lease agreement was executed on October 21, 2015 for one (1) five (5) year period starting January 1, 2016 and ending December 31, 2020. The base rent shall increase .25 per square foot annually, with the base rent for the year ended December 31, 2019 to be \$17.25 per square foot for a total base rent of \$32,361 and to be \$17.50 with a base rent of \$32,830 for the year ended December 31, 2020.

Rent expense for the years ended December 31, 2018 and 2017 amounted to \$31,892 and \$31,423 respectively. Additionally, the Corporation increased its commitment by assuming the lease for three unreserved parking spaces in the corporation's parking garage. The Corporation's arrangement for parking was coterminous with the original lease agreement. Effective January 1, 2016, and throughout the term of the Lease the parking rent will be \$135.00 per space per month.

No amount of rent payable was outstanding as of December 31, 2018 and 2017. The Corporation paid approximately \$405 monthly to rent the three parking spaces. In addition, the parking rate for the four spaces designed for the parking of cleaning equipment is \$280 per month.

Future minimum lease payments relating to the HDID's offices, Visitors Information Center and Parking are \$37,491 for the year ending December 31, 2019, and \$37,690 for the year ending December 31, 2020.

On February 17, 2011, the Corporation executed a Property Protection Services Agreement (Agreement) with Harrisburg Property Services, Inc. (HPS) to provide safety patrols to the District Wednesday through Saturday 6 p.m. to 9 p.m. Consideration to HPS under the assigned Agreement was paid monthly based on billings computed using hours worked times rates defined in the contract.

**Note 6 – Commitments & Contingencies**

A Contract effective January 1, 2011 was entered into with ABM Janitorial Services to provide all services and labor necessary to commence and complete a cleaning program with the Corporation. The vendor will be compensated on a cost plus basis not to exceed \$302,512 annually. Hourly wage rates, supplies, equipment expenses and other costs are detailed in the proposal. Yearly 12-month extensions s have been agreed upon. A 12-month extension was agreed upon in December 2018 to continue through December 2019 with subsequent 12-month extensions.

A contract was entered into between the Corporation and Long, Nyquist and Associates for professional and consulting services effective August 15, 2018 through February 15, 2019. The Corporation paid a monthly retainer of \$5,000 a month for these fees.

There there are no pending claims or lawsuits for the Corporation as of December 31, 2018.

**HARRISBURG DOWNTOWN IMPROVEMENT DISTRICT, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**Note 7– Retirement Plans**

The Corporation has adopted a Simple IRA plan for all employees receiving at least \$500 in compensation in the current year. Under this plan, the Corporation will match 100% of each participant's elective deferral up to 3% of that participant's annual compensation. Employees are immediately vested in 100% of the employee and employer contributions to the plan. Total employer matching expense during the years ended December 31, 2018 and 2017 amounted to \$4,457 and \$5,295 respectively.