

DIAMOND CITY PARTNERSHIP, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

DIAMOND CITY PARTNERSHIP, INC.

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December 31, 2018 (Audited) and 2017 (Reviewed)

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LAWRENCE, CABLE AND COMPANY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
106 SOUTH MAIN STREET
WILKES-BARRE, PA 18701-1612

Robert G. Lawrence, CPA, CFP, CVA
Dean M. Cable, CPA

WILKES-BARRE
(570) 825-0001
MOUNT POCONO
(570) 839-7662

INDEPENDENT AUDITORS' REPORT

Board of Directors
Diamond City Partnership, Inc.
Wilkes-Barre, Pennsylvania

We have audited the accompanying financial statements of Diamond City Partnership, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, changes in net assets, 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 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 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 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 the 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

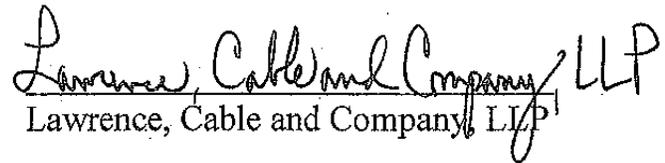
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diamond City Partnership, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of Diamond City Partnership, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Diamond City Partnership, Inc.'s internal control over financial reporting and compliance.

Prior Period Financial Statements

The 2017 financial statements were reviewed by us, and our report thereon, dated October 31, 2018, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.


Lawrence, Cable and Company, LLP

Wilkes-Barre, Pennsylvania
November 14, 2019

DIAMOND CITY PARTNERSHIP, INC.

Statements of Financial Position
December 31, 2018 and 2017

	2018 (Audited)	2017 (Reviewed)
<u>Assets</u>		
Current Assets:		
Cash	\$ 68,708	\$ 61,873
Assessments receivable	70,855	105,278
Unconditional promises to give		8,950
Total Current Assets	<u>139,563</u>	<u>176,101</u>
Leasehold improvements and equipment, net	<u>6,380</u>	<u>5,274</u>
Total Assets	\$ <u>145,943</u>	\$ <u>181,375</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Line of credit	\$ 20,000	\$
Accounts payable	810	11,972
Accrued expenses	2,355	2,624
Total Liabilities	<u>23,165</u>	<u>14,596</u>
Net Assets:		
Without donor restrictions	66,499	111,910
With donor restrictions	56,279	54,869
Total Net Assets	<u>122,778</u>	<u>166,779</u>
Total Liabilities and Net Assets	\$ <u>145,943</u>	\$ <u>181,375</u>

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

DIAMOND CITY PARTNERSHIP, INC.

Statement of Activities
For the year ended December 31, 2018 (Audited)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 11,553	\$ 14,000	\$ 25,553
Program revenue	299,087		299,087
Interest income	<u>1</u>		<u>1</u>
Total revenue and support	<u>310,641</u>	<u>14,000</u>	<u>324,641</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>12,590</u>	<u>(12,590)</u>	<u> </u>
Total assets released from restrictions	<u>12,590</u>	<u>(12,590)</u>	<u> </u>
Total Revenue and Support and Net Assets Released from Restrictions	<u>323,231</u>	<u>1,410</u>	<u>324,641</u>
Expenses:			
Program services:			
Business improvement	290,924		290,924
Residential improvement	<u>10,323</u>		<u>10,323</u>
Total Program Expenses	<u>301,247</u>		<u>301,247</u>
Supporting service:			
Management and general	62,736		62,736
Fund raising	<u>4,659</u>		<u>4,659</u>
Total Expenses	<u>368,642</u>		<u>368,642</u>
Change in net assets	(45,411)	1,410	(44,001)
Net assets, beginning	<u>111,910</u>	<u>54,869</u>	<u>166,779</u>
Net assets, ending	\$ <u>66,499</u>	\$ <u>56,279</u>	\$ <u>122,778</u>

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

DIAMOND CITY PARTNERSHIP, INC.

Statement of Activities
For the year ended December 31, 2017 (Reviewed)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions	\$ 2,308	\$ 24,700	\$ 27,008
Program revenue	313,472		313,472
Interest income	<u>1</u>		<u>1</u>
Total revenue and support	<u>315,781</u>	<u>24,700</u>	<u>340,481</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>19,364</u>	<u>(19,364)</u>	<u> </u>
Total net assets released from restrictions	<u>19,364</u>	<u>(19,364)</u>	<u> </u>
Total Public Revenue and Support and Net Assets Released from Restrictions	<u>335,145</u>	<u>5,336</u>	<u>340,481</u>
Expenses:			
Program services:			
Business improvement	295,391		295,391
Residential improvement	<u>1,706</u>		<u>1,706</u>
Total Program Expenses	297,097		297,097
Supporting service:			
Management and general	62,358		62,358
Fund raising	<u>4,560</u>		<u>4,560</u>
Total Expenses	<u>364,015</u>		<u>364,015</u>
Change in net assets	(28,870)	5,336	(23,534)
Net assets, beginning	<u>140,780</u>	<u>49,533</u>	<u>190,313</u>
Net assets, ending	\$ <u>111,910</u>	\$ <u>54,869</u>	\$ <u>166,779</u>

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

DIAMOND CITY PARTNERSHIP, INC.

Statement of Functional Expenses
For the year ended to December 31, 2018 (Audited)

	Program Services			Supporting Service		Total
	Business Improvement	Residential Improvement	Total	Management and General	Fund Raising	
Cleaning and maintenance	\$ 159,327	\$	\$ 159,327	\$	\$	\$ 159,327
Contracted services	95,899		95,899	32,613	4,659	133,171
Security	16,100		16,100			16,100
Grants and awards	4,500	5,250	9,750			9,750
Professional fees	2,382		2,382	7,653		10,035
Travel and meals				1,904		1,904
Rent	1,365		1,365	6,204		7,569
Marketing	8,231		8,231			8,231
Events		100	100			100
Insurance		245	245	3,066		3,311
Fees				3,383		3,383
Utilities	2,269		2,269			2,269
Supplies	851	4,728	5,579	688		6,267
Bank charges				748		748
Training				1,458		1,458
Interest				1,220		1,220
Telephone				1,169		1,169
Dues and subscriptions				1,195		1,195
Postage and shipping				720		720
Total before depreciation	290,924	10,323	301,247	62,021	4,659	367,927
Depreciation				715		715
Total	\$ <u>290,924</u>	\$ <u>10,323</u>	\$ <u>301,247</u>	\$ <u>62,736</u>	\$ <u>4,659</u>	\$ <u>368,642</u>

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

DIAMOND CITY PARTNERSHIP, INC.

Statement of Functional Expenses
For the year ended to December 31, 2017 (Reviewed)

	Program Services			Supporting Service		Total
	Business Improvement	Residential Improvement	Total	Management and General	Fund Raising	
Cleaning and maintenance	\$ 161,097	\$	\$ 161,097	\$	\$	\$ 161,097
Contracted services	90,623		90,623	31,917	4,560	127,100
Security	15,050		15,050			15,050
Professional fees	630		630	7,451		8,081
Travel and meals				3,842		3,842
Rent	1,890		1,890	6,101		7,991
Marketing	12,674		12,674			12,674
Grants and awards		1,600	1,600			1,600
Insurance				2,114		2,114
Fees				2,571		2,571
Utilities	1,001		1,001	2,525		3,526
Supplies	11,391	106	11,497	1,550		13,047
Bank charges				10		10
Training				837		837
Telephone	913		913	1,077		1,990
Dues and subscriptions				1,770		1,770
Postage and shipping			122			122
Total before depreciation	295,391	1,706	297,097	61,765	4,560	363,422
Depreciation				593		593
Total	\$ <u>295,391</u>	\$ <u>1,706</u>	\$ <u>297,097</u>	\$ <u>62,358</u>	\$ <u>4,560</u>	\$ <u>364,015</u>

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

DIAMOND CITY PARTNERSHIP, INC.

Statement of Cash Flows
For the years ended December 31, 2018 and 2017

	2018 (Audited)	2017 (Reviewed)
Cash flows from operating activities:		
Change in net assets	\$ <u>(44,001)</u>	\$ <u>(23,534)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	715	593
Decrease (Increase) in assessments and pledges receivable	43,373	(22,468)
Decrease in accounts payable and accrued expenses	<u>(11,431)</u>	<u>(9,914)</u>
Total adjustments	<u>32,657</u>	<u>(31,789)</u>
Net cash used in operating activities	<u>(11,344)</u>	<u>(55,323)</u>
Cash flows from investing activities:		
Capital expenditures	<u>(1,821)</u>	_____
Net cash used in investing activities	<u>(1,821)</u>	_____
Cash flows from financing activities:		
Net proceeds from line of credit	<u>20,000</u>	_____
Net cash provided by financing activities	<u>20,000</u>	_____
Net increase (decrease) in cash	6,835	(55,323)
Cash, beginning	<u>61,873</u>	<u>117,196</u>
Cash, ending	\$ <u><u>68,708</u></u>	\$ <u><u>61,873</u></u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ <u><u>1,220</u></u>	\$ _____

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

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Operations

Diamond City Partnership, Inc. (DCP) is a not-for-profit entity incorporated to form an alliance of organizations, businesses, and individuals in order to plan and implement revitalization strategies for areas located within the City of Wilkes-Barre, Pennsylvania. The Downtown Wilkes-Barre Business Improvement District (DWBBID) was established under the Act 2000, P.L. 949, No. 130, Cl. 53, Neighborhood Improvement District Act (Act) and operates as a Neighborhood Improvement District (NID). DPC serves as DWBBID's Neighbor Improvement District Management Association (NIDMA). The NIDMA oversees the management of a NID. The DWBBID commenced operations in 2007 and its mission is to administer programs and services to promote and enhance a more attractive and safer district including economic growth and increased employment opportunities. The DWBBID was scheduled to sunset as of December 31, 2018. The DWBBID has been renewed by the City of Wilkes-Barre for another ten years beginning January 1, 2019. The DWBBID generally includes all taxable and tax-exempt (for real estate purposes) properties except for residential properties with fewer than five units within two to five blocks of the Public Square in the City of Wilkes-Barre.

2. Summary of Significant Accounting Policies

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America as contained in the Accounting Standards Codification (ASC) issued by the Financial Standards Accounting Board (FASB), and have been consistently applied.

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

Financial Instruments

A financial instrument is any contract that creates a financial asset for one entity and a financial liability for, or ownership interest in, another entity. DCP's financial instruments comprise cash, accounts receivable, certain other assets, accounts payable, certain accrued expenses and short-term debt. The methods for measuring financial instruments are described in the applicable accounting policy notes.

Impairment of Nonfinancial Assets

Management reviews long-lived nonfinancial assets, including leasehold improvements and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management evaluates recoverability by comparing the carrying value of an asset to the undiscounted future cash flows the asset is expected to generate. If the carrying value of an asset exceeds its estimated future cash flows, an impairment loss for the amount by which the carrying value of the asset exceeds the fair value of the asset is recognized. Management did not identify any long-lived nonfinancial assets as being impaired during 2018 and 2017.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Net Assets

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

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

With Donor Restrictions: Net assets subject to donor-imposed stipulations that they be maintained permanently by DCP. The donors of these assets permit DCP to use part of the income earned on related investments for specified or unspecified purposes. Net assets with donor restrictions also include net assets subject to donor-imposed stipulations that may or will be met by the actions of DCP and/or the passage of time.

Without Donor Restrictions: Net assets not subject to donor-imposed stipulations.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are classified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, promises to give, accounts payable and accrued expenses, approximate fair value due to the short maturity of these instruments.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, DCP considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

Assessments Receivable

A special assessment is levied on all designated properties, other than tax-exempt properties, located in a limited geographic area within the City of Wilkes-Barre. The assessments provide funds for providing additional services such as street and sidewalk cleaning and additional security within the neighborhood business improvement district. The assessments attach as an enforceable lien on the property. Assessments receivable are initially recognized at the fair value of consideration receivable, which equates to nominal value, and are subsequently measured at amortized cost, less an allowance for doubtful accounts, which equates to net realizable value. Balances remaining outstanding after DCP has used reasonable collection efforts are written off.

The annual assessment charges to be levied on property owners are to be equitably apportioned among all properties charged within the whole district service area. The assessment is calculated utilizing Luzerne County's current real estate tax assessment as the basis for the assessment. The assessed market value of each property is divided by the total assessed market value for all properties subject to the assessment and multiplying the result by the annual budgeted ratepayer revenue.

Allowance for Doubtful Accounts

It is the policy of management to review the outstanding assessments receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Management considers the aging of the assessments receivable, property owner creditworthiness, past transaction history with the property owner, current economic industry trends, and changes in property owner payment terms when determining the allowance and the collectability of specific property owner accounts. Allowances for doubtful accounts of \$35,000 and \$15,000 have been established for the years ended December 31, 2018 and 2017, respectively.

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

Unconditional Promises to Give

Unconditional promises to give to be received in one year or less are recorded at net realizable value. Unconditional promises to give to be received after one year, net of an allowance for uncollectible amounts, are initially recorded at fair value, estimated by discounting them to their present value at a risk-adjusted rate. Thereafter, amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible promises to give is provided based on management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors.

Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated at cost or, if donated, at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 10 years for equipment and 15 to 40 years for leasehold improvements. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized.

Revenue and Support

All items of revenue and support are stated on the accrual basis, including revenues receivable as reimbursements for incurred costs from government units and other third party payers.

Donations-in-kind and Contributed Services

Material gifts-in-kind items used in the DCP's programs and services (e.g., vehicle, free rent, equipment, etc.) and donated goods distributed (clothing, furniture, foodstuffs, etc.) are recorded as income and expense at the time the items are placed into service or distributed.

There were no material items donated to DCP in 2018 and 2017.

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

Contributed land, building and equipment are recorded at fair value at the date of donation as unrestricted support and revenue unless the use of such contributed assets is restricted by a donor-imposed restriction.

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded as an expense when such services qualify for cost reimbursement from third-party providers.

DCP receives a substantial number of services donated by individuals and entities in carrying out DCP's program services. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

Advertising

DCP expenses advertising costs as they are incurred. The total advertising expense for the years ended December 31, 2018 and 2017 was \$8,231 and \$12,674, respectively.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of DCP. Expenses related to more than one function are charged to programs and supporting services on the following basis:

- a. Salaries and fringe benefits expenses are allocated on the basis of periodic time studies.
- b. Occupancy costs and depreciation of building and improvements are allocated on the basis of square footage.

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

- c. Depreciation of leasehold improvements and equipment is allocated on the basis of usage of the related leasehold improvements and equipment.

Income Tax Status

DCP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies as a publicly supported organization as defined within Sections 509(a)(9) and 170(b)(1)(A)(vi).

DCP's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2017, 2016, and 2015 are subject to examination by the IRS.

Economic Dependence

DCP receives a substantial portion of its revenues from the BID program. BIDs are authorized for a finite period of time and their continued existence is dependent upon periodic reauthorization by the affected property owners. Act 130 also provides that, at any time, if 40% of the assessed property owners within a BID formally request its termination in writing to the governing body of the municipality, the governing body is obligated to consider that request, and the BID may be terminated based on the results of that hearing. DWBBID's current authorization expires on December 31, 2029. While reauthorization is expected to be sought, it cannot be guaranteed. The Organization is dependent upon reauthorization of the DWBBID for its continued existence and ability to carry out its normal activities.

Benefiting tax-exempt properties are asked to contribute to DWBBID by entering into a voluntary agreement, based on their established assessed value. During the years ended December 31, 2018 and 2017, DCP obtained a significant portion of its revenues from one benefiting property. This consisted of program revenues of \$40,600 and \$40,600 for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, there were no program receivables from this property.

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
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Recently Issued Accounting Standards

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. DCP adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources, and disclosures related to functional allocation of expenses were expanded.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. DCP adopted the provisions of this new standard during the year ended December 31, 2018. Subsequently, the FASB issued updates to this guidance to provide clarification to the aspects of collectability criterion, identifying performance obligations and the licensing implementation guidance and recognizing revenue when another party is involved in providing goods or services to a customer. The most significant impact will be to the presentation of the statement of activities where the provision for doubtful accounts will be recorded as a direct reduction to revenues and will not be presented as a separate line item. The changes reflected in the financial statements are presentation only.

Reclassifications

Certain amounts in the prior period have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

3. Assessments Receivable

Assessments receivable consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assessments receivable	\$ 105,855	\$ 120,278
Less allowance for doubtful accounts	<u>35,000</u>	<u>15,000</u>
Assessments receivable, net	\$ <u>70,855</u>	\$ <u>105,278</u>

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

Bad debts during the year ended December 31, 2018 and 2017 amounted to \$35,121 and \$-0-, respectively.

4. Promises to Give

The following is a summary of unconditional promises to give as of December 31, 2018 and 2017, by expected period of payment:

	<u>2018</u>	<u>2017</u>
Receivable within one year	\$	\$ 8,950
One to five years	—	—
Total Unconditional Promises to Give		8,950
Less:		
Allowance for uncollectible promises to give		
Unamortized discount	—	—
Unconditional Promises to Give, net	\$	\$ <u>8,950</u>

5. Leasehold improvements and equipment

A summary of leasehold improvements and equipment at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 3,739	\$ 3,739
Equipment	<u>4,321</u>	<u>2,500</u>
	8,060	6,239
Less: Accumulated Depreciation	<u>1,680</u>	<u>965</u>
Leasehold improvements and equipment, net	\$ <u>6,380</u>	\$ <u>5,274</u>

Depreciation for the year ended December 31, 2018 amounted to \$715.

Depreciation for the year ended December 31, 2017 amounted to \$593.

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

6. Line of credit

DCP has a \$50,000 revolving line of credit agreement with a local financial institution with interest due monthly at a rate of \$3.15% above prime, which was 6.25% as of December 31, 2018. The outstanding balance on the line of credit was \$20,000 as of December 31, 2018.

Interest incurred and expensed during the years ended December 31, 2018 and 2017 was \$1,220 and \$0, respectively.

7. Net Asset Classifications

Net assets without donor restrictions represent net resources that can be used for the general purposes of DCP. Included with these funds are net resources voluntarily designated by the Board of Directors. These designations can be modified or reversed at the discretion of the Board of Directors and, as such, do not have the legal or donor imposed restrictions. Included with the net assets without donor restrictions at December 31, 2018 and 2017 are the following board designated funds:

	<u>2018</u>	<u>2017</u>
Designated by the Board:		
Downtown Residents Program	\$ <u>10,393</u>	\$ <u>10,745</u>
Total Board Designated Net Assets	10,393	10,745
Undesignated	<u>56,106</u>	<u>101,165</u>
Net Assets Without		
Donor Restrictions	\$ <u>66,499</u>	\$ <u>111,910</u>

Net assets with donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for		
specified purpose:		
Restricted for clock project	\$	\$ 440
Restricted for the Leadership		
Band Shell Program	47,943	47,943
Restricted for the Façade		
Grant Program	2,500	150
Restricted for the Wayfinding		
Signage Program	<u>5,836</u>	<u>6,336</u>
Total net assets with donor		
restrictions	\$ <u>56,279</u>	\$ <u>54,869</u>

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

8. Net Assets Released from Restrictions

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Fitness:		
Program supplies and support:		
Hanging basket program	\$ 4,500	\$ 3,000
PopUp Shop program	5,000	5,500
Façade program	2,650	
Clock project	440	
Wayfinding signage program		<u>10,864</u>
Total restrictions released	\$ <u>12,590</u>	\$ <u>19,364</u>

9. Liquidity and Funds Available

The following table reflects DCP's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, state-requiring annuity reserves, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash	\$ 68,708	\$ 61,873
Assessments receivable and unconditional promises to give	<u>70,855</u>	<u>114,228</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>139,563</u>	\$ <u>176,101</u>

DIAMOND CITY PARTNERSHIP, INC.

Notes to Financial Statements
December 31, 2018 and 2017

DCP has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. DCP has a \$50,000 revolving line of credit with M&T Bank, which it could draw upon in the event of an anticipated liquidity need. The interest rate is equal to 3.15% above the prime rate as established by the bank, currently at 6.25% with the interest due monthly and the principal due upon demand. \$20,000 were borrowed under this agreement during the year ended December 31, 2018.

10. Subsequent Events

Management has evaluated subsequent events through November 14, 2019, the date the financial statements were available to be issued.

LAWRENCE, CABLE AND COMPANY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
106 SOUTH MAIN STREET
WILKES-BARRE, PA 18701-1612

Robert G. Lawrence, CPA, CFP, CVA
Dean M. Cable, CPA

WILKES-BARRE
(570) 825-0001
MOUNT POCONO
(570) 839-7662

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Diamond City Partnership, Inc.
Wilkes-Barre, Pennsylvania

We have audited, in accordance with the 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, the financial statements of Diamond City Partnership, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Diamond City Partnership, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Diamond City Partnership, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Diamond City Partnership, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-005 to be significant deficiencies.

Compliance and Other Matters

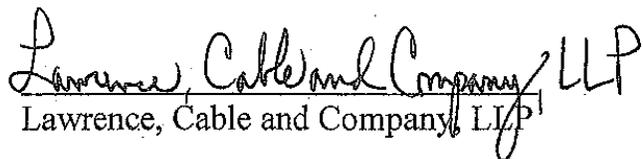
As part of obtaining reasonable assurance about whether Diamond City Partnership, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-006 and 2018-007.

Diamond City Partnership, Inc.'s Response to Findings

Diamond City Partnership, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Diamond City Partnership, Inc.'s response was not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Lawrence, Cable and Company, LLP

November 14, 2019
Wilkes-Barre, Pennsylvania

DIAMOND CITY PARTNERSHIP, INC.

Schedule of Findings and Responses
For the year ended December 31, 2018

MATERIAL WEAKNESSES:

2018-001: Internal Control.

Criteria: Policies and procedures should be in place to (1) provide reasonable assurance that the control environment is conducive to and reflects an appropriate management attitude toward internal control; (2) provide reasonable assurance that the Organization has identified and analyzed relevant risks to the achievement of its objectives; (3) provide reasonable assurance that the Organization is in compliance with certain provisions of laws, regulations, contracts, and grant agreements; (4) provide reasonable assurance that the Organization identifies, captures, and exchanges information enabling its personnel to carry out their responsibilities; and (5) provide reasonable assurance that the effectiveness of internal controls over time is being assessed. The Organization should document the procedures to be used, document that the procedures have been properly performed, and document the monitoring of the procedures.

Condition: There is a lack of documentation of internal control policies, evidence of internal controls performed and/or monitoring of internal control policies.

Cause: Lack of understanding for the need of such policies and procedures for a small entity.

Effect: Potential increase in risk of preparation of financial statements not in accordance with accounting principles generally accepted in the United States of America and an increase in the risk of fraud occurring and not being detected and corrected in a timely manner.

Recommendation: Documentation of all of the Organization's internal control procedures in its accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system. This will also allow all employees to understand the proper handling of a transaction with management's authorization.

Documenting the performance of the procedures would provide evidence that internal control procedures exist and are being performed in compliance with the Organization's policies. Documentation of the performance also assists management in monitoring the Organization's internal control.

Documentation of the monitoring of the Organization's internal control procedures provides evidence that the Organization is assessing the quality of its internal control over time. Monitoring involves assessing the design and operation of controls on a timely basis, capturing and reporting identified control deficiencies, and taking appropriate actions.

DIAMOND CITY PARTNERSHIP, INC.

Schedule of Findings and Responses
For the year ended December 31, 2018

Views of Responsible Officials: We concur with the finding.

Description of the Corrective Action Plan: The Executive Director is responsible for the development and the implementation of Diamond City Partnership, Inc.'s internal control policies and procedures and will submit a copy to the Board of Directors for review and approval.

2018-002: Preparation of Financial Statements.

Criteria: The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP) is the responsibility of Diamond City Partnership, Inc.'s management. The preparation of financial statements in accordance with GAAP requires internal control over both the recording, processing, and summarizing accounting data and reporting financial statements, including the related footnotes.

Condition: As in the case with many smaller and medium-sized entities, Diamond City Partnership, Inc.'s management has historically relied on its independent external auditors and accountants to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, Diamond City Partnership, Inc.'s ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of Diamond City Partnership, Inc.'s internal controls.

Cause: This condition is caused by Diamond City Partnership, Inc.'s management decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the organization to perform this task internally.

Effect: As a result of this condition, the organization lacks internal controls over the preparation of financial statements in accordance with GAAP.

Recommendation: We recommend that Diamond City Partnership, Inc. formally designate an individual in upper management with suitable skill, knowledge, and/or experience to oversee the financial statement preparation and take responsibility for the financial statements. This individual should be maintaining technical expertise through continuing education courses relating to the preparation of the organization's financial statements, including the related footnotes, in accordance with GAAP.

DIAMOND CITY PARTNERSHIP, INC.

Schedule of Findings and Responses
For the year ended December 31, 2018

Views of Responsible Officials: We concur with the finding.

Description of the Corrective Action Plan: Diamond City Partnership, Inc.'s management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and has determined that it is in the best interests of the organization to outsource this task to external auditors, and to assign an individual in upper management with suitable skill, knowledge, and/or experience to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2018-003: Segregation of Duties.

Criteria: The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Currently, the executive director is heavily involved in nearly all phases of the transaction from the initiation and authorization of the transaction, and the access to the physical assets.

Effect: Danger of intentional or unintentional errors could be made or fraud to occur and not detected and corrected in a timely manner.

Cause: Lack of adequate number of personnel for certain functions.

Recommendation: Policies and procedures should be updated so that no one person has access to all phases of a transaction (proper segregation of duties). Board members, chair, secretary, and/or treasurer should be involved in these controls.

Views of Responsible Official: We concur with the finding.

Description of the Corrective Action Plan: The governing board will provide some of these controls when developing and implementing internal control policies and procedures as described in above finding 2018-001.

DIAMOND CITY PARTNERSHIP, INC.

Schedule of Findings and Responses
For the year ended December 31, 2018

SIGNIFICANT DEFICIENCIES:

2018-004: Supporting Documentation.

Criteria: The basic premise is that for proper internal control, there should be supporting documentation of all transactions.

Condition: Certain supporting documentation was not available.

Effect: Increase in risk of preparation of financial statements not in accordance with GAAP and increase in risk of fraud.

Cause: Lack of proper policies and procedures ensuring the safeguarding of supporting documentation.

Recommendation: Update policies and procedures to ensure supporting documentation is properly maintained and retrievable.

Views of Responsible Official: We concur with the finding.

Description of the Corrective Action Plan: Consideration for adequate maintenance of supporting documentation will be considered when developing and implementing internal control policies and procedures as described in above finding 2018-001.

DIAMOND CITY PARTNERSHIP, INC.

Schedule of Findings and Responses
For the year ended December 31, 2018

2018-005: Fraud Risk Assessment.

Criteria: 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.

Condition: We believe that the Organization's understanding of the risks of fraud, programs and controls the Organization has implemented to address identified fraud risks or to deter and detect fraud, the monitoring of those programs and controls, and communication to and from employees could be formally updated.

Effect: Increase in fraud risks which not only include misappropriation of assets, but fraudulent financial reporting.

Cause: Lack of appropriate policies and procedures to formally update fraud risk assessment.

Recommendation: Management should develop a system that formally documents their understanding of the risks of fraud, their awareness of fraud, and the methods of communicating to employees and volunteers on the importance of ethical behavior and appropriate business practices. There should be formal documentation of programs and controls the Organization has implemented to address identified fraud risks or to prevent, deter and detect fraud and the monitoring of those programs and controls. The Organization should formally document the system on how employees and volunteers are able to communicate their understanding of fraud awareness or suspicions of fraud.

Views of Responsible Official: We concur with the finding.

Description of the Corrective Action Plan: Consideration for updating the Organization's understanding of fraud will be considered when developing and implementing internal control policies and procedures as described in above finding 2018-001.

DIAMOND CITY PARTNERSHIP, INC.

Schedule of Findings and Responses
For the year ended December 31, 2018

COMPLIANCE AND OTHER MATTERS:

2018-006: Personnel Files.

Criteria: Laws and regulations require personnel files maintain certain properly completed forms such as federal Forms W-4, I-9, and PA New Hire Report.

Condition: Personnel files were missing or had incomplete required documents.

Effect: Lack of compliance with laws and regulations could cause the organization to incur severe charges and/or penalties.

Cause: Lack of proper policies and procedures ensuring the safeguarding of required documentation.

Recommendation: Update polices and procedures to ensure required documentation is properly maintained.

Views of Responsible Official: We concur with the finding.

Description of the Corrective Action Plan: Consideration for adequate maintenance of required documentation will be considered when developing and implementing internal control policies and procedures as described in above finding 2018-001.

DIAMOND CITY PARTNERSHIP, INC.

Schedule of Findings and Responses
For the year ended December 31, 2018

2018-007: Independent Contractor Classification.

Criteria: Laws and regulations only allow the independent contractor classification under specific conditions.

Condition: Certain personnel are classified as independent contractors based only on a contract between the Organization and the individual.

Effect: Due to the inclusion of these individuals in the Organization's workers compensation plan and the oversight of the Organization over these individuals, these individuals may be classified as employees by various governmental agencies resulting in severe charges and/or penalties.

Cause: Lack of appropriate policies and procedures to ensure proper documentation for the independent contractor classification.

Recommendation: Update policies and procedures to ensure that labor is properly classified as an independent contractor.

Views of Responsible Official: We concur with the finding.

Description of the Corrective Action Plan: Consideration for adequate documentation of the independent contractor status will be considered when developing and implementing internal control policies and procedures as described in above finding 2018-001.