

**SOUTH BALTIMORE GATEWAY COMMUNITY
IMPACT DISTRICT MANAGEMENT AUTHORITY**

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2021



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2021

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
The South Baltimore Gateway Community
Impact District Management Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the South Baltimore Gateway Community Impact District Management Authority (the Partnership), as of and for the year ended June 30, 2021, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Partnership's 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 controls 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Partnership'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 Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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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 balance sheet of the Partnership as of June 30, 2021, and the respective change in its fund balance for the year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Owings Mills, Maryland
September 28, 2021

SB & Company, LLC

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
MANAGEMENT AUTHORITY**

**Management’s Discussion and Analysis
June 30, 2021**

Overview of the Financial Statements and Financial Analysis

The following is a discussion and analysis of the financial performance of the South Baltimore Gateway Community Impact District Management Authority dba the South Baltimore Gateway Partnership (the Partnership) for the fiscal years ended June 30, 2021 and 2020 for comparative purposes. The financial statements and accompanying notes should be read in conjunction with this discussion.

2021 Financial Highlights

- The Partnership’s total fund balance increased \$2,022,095, as revenue exceeded expenditures. This was due in part to the fact that many Partnership projects take more than one fiscal year to complete. In addition, the COVID-19 pandemic created uncertainty related to the economy and future revenues, which caused the Partnership Board to follow a conservative fiscal year 2021 budget initially and then authorize additional expenditures incrementally over the course of the year as the situation unfolded. As a result, funds programmed towards the end of the fiscal year were not likely to have actually been expended by the end of the year.
- The pace of program expenditures continued to increase in fiscal year 2021, with total expenditures increasing by nearly 22 percent in comparison to fiscal year 2020.
- 100 percent of the Partnership’s fund balance is assigned to programs or otherwise committed.
- The assets of the Partnership exceeded its liabilities at the close of the most recent fiscal year by \$12,732,589 (fund balance). Of this amount, \$11,732,589 represents assigned fund balance and \$1,000,000 represents committed fund balance, while \$0 represents unassigned fund balance.

Balance Sheet

Fund balance over time, may serve as a useful indicator of a government’s financial position. In the case of the Partnership, assets exceeded liabilities by \$12,732,589 at the close of the most recent fiscal year.

	<u>2021</u>	<u>2020</u>
Total Assets	\$ 12,824,410	\$ 11,095,123
Total Liabilities	91,821	384,629
Fund Balance	<u>\$ 12,732,589</u>	<u>\$ 10,710,494</u>

SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT MANAGEMENT AUTHORITY

Management's Discussion and Analysis June 30, 2021

Balance Sheet (continued)

In fiscal year 2021, the Partnership programmed and began to expend its fiscal year 2021 funds as well as continued to expend programmed but unspent funds from prior fiscal years, with the pace of program implementation and expenditures continuing to increase significantly as the year went on. While gross assets increased in fiscal year 2021, approximately 99 percent of those gross assets were assigned to projects or otherwise committed (see Balance Sheet below) and so can be expected to be expended as those projects are implemented. The remaining approximately one percent represents liabilities, which decreased in fiscal year 2021 and by definition cannot be assigned or committed. Meanwhile, 100 percent of the net assets (fund balance) were assigned or committed.

During fiscal year 2021, the timelines for project completions varied considerably across the organization's program areas due to the variable nature of the projects being undertaken. While some of the Partnership's projects (such as many Enhanced Services) take less than one fiscal year to complete, others do not. Community Grants, for example, generally take a year or more for grantees to execute, as do large Enhanced Services capital projects. Similarly, large investments in complex Transformational Projects take long periods of time and fiduciary analysis to responsibly prepare and execute. Therefore, not all funds assigned in a given fiscal year are likely to be spent within that year. This, combined with the fact that revenues have generally increased over time, has resulted in an inevitable increase in Fund Balance.

Furthermore, the COVID-19 pandemic had significant implications for the Partnership's programs and financial plans. First, many of the core projects that the Partnership would typically fund (such as youth sports, cultural events in parks across the District, community gatherings, and others) were initially impossible to operate safely, and some of these funds were diverted to provide COVID-19 response aid to neighborhoods. In addition, for much of fiscal year 2021, it was not clear what impact the COVID-19 pandemic would have on the Partnership's funding. For several months in fiscal year 2020, Maryland casinos were shut down completely, resulting in no revenues at all. The casinos reopened with capacity restrictions just before the start of fiscal year 2021, but even then, it was not clear how much funding would actually become available. As a result, the Partnership had to think strategically about how to respond to the pandemic while also preserving organizational capacity and core priorities. This required a tremendous amount of attention, discussion, and iterative modeling over the course of the fiscal year. The Partnership's Board of Directors and its committees were deeply engaged in this process, and the Board's strategy remained cautious, focusing on ensuring the Partnership could continue to function in the event of long-term revenue decline and/or neighborhood crisis. In practice, this meant starting from a conservative fiscal year 2021 budget and authorizing expenditures incrementally over the course of fiscal year 2021 as the situation unfolded. Fortunately, although revenues were initially somewhat reduced, they later stabilized and eventually increased relative to pre-pandemic months.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
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**Management’s Discussion and Analysis
June 30, 2021**

Balance Sheet (continued)

As it eventually became clear that revenues were growing towards the end of fiscal year 2021, the Partnership’s Board authorized significant additional spending in various tranches during the second half of the year, and the Partnership then moved quickly to put these unanticipated funds into productive use.. Although this effort was successful, resulting in \$0 in unassigned funds, the unusually late timing made it even harder than normal to actually expend these funds by the end of the fiscal year, resulting in an increase in the fund balance. There is no reason to believe these funds will not be spent down in a manner consistent with their intended use.

Statement of Revenue, Expenditures and Change in Fund Balance

The Statement of Revenue, Expenditures and Change in Fund Balance presents the years ended June 30, 2021 and 2020, revenue and expenditures, and their effect on fund balance. Revenue consists primarily of intergovernmental revenue. Expenditures consist of program and administrative activity.

	<u>2021</u>	<u>2020</u>
Revenue	\$ 7,351,482	\$ 5,240,626
Expenditures	<u>5,329,387</u>	<u>4,358,324</u>
Change in fund balance	2,022,095	882,302
Fund balance, beginning of period	<u>10,710,494</u>	<u>9,828,192</u>
Fund Balance, End of Period	<u>\$ 12,732,589</u>	<u>\$ 10,710,494</u>

Revenue increased by \$2,110,856, in comparison to fiscal year 2020, which was attributable primarily to increased Local Impact Grant funding due to the waning of the COVID-19 pandemic and the reopening of the Maryland casinos and economy. In addition, the Partnership continued to earn modest interest on the value of its deposit accounts and received some grant funding from the State of Maryland Department of Natural Resources and State of Maryland Department of Housing and Community Development.

Expenditures increased by \$971,063, in comparison to fiscal year 2020 as program implementation and expenditures continued to increase significantly in fiscal year 2021. Accelerating program expenditures were due to a fourth full year of operations during fiscal year 2021 and the Partnership beginning to mobilize the additional fiscal year 2021 spending authorizations and completing projects from prior years.

Revenue exceeded expenditures due to the Partnership’s conservative financial planning and cautious spending due to the pandemic, combined with the fact that some Partnership projects take more than one fiscal year to complete.

SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT MANAGEMENT AUTHORITY

Management's Discussion and Analysis June 30, 2021

Economic Outlook

The State law authorizing the City to establish the Partnership specifies that, starting in Fiscal Year 2018, the Partnership shall receive not less than 50% of the Local Impact Grants from video lottery proceeds designated for Baltimore City. Absent a change of legislation, this allocation of funds will remain unchanged.

Because the three central Maryland casinos have the potential to cannibalize users from one another, the public revenues from all three casinos are pooled. This reduces the risk of a future decrease in revenue due to competition among casinos.

The Partnership's initial projections for fiscal year 2021 Local Impact Grant revenues suggested that the Partnership would receive \$5.0 million, and this number formed the basis for the Partnership's original budget. For much of fiscal year 2021, it was not clear what impact the COVID-19 pandemic would have on the Partnership's funding. For several months in fiscal year 2020, Maryland casinos were shut down completely, resulting in no revenues at all. The casinos reopened with capacity restrictions just before the start of fiscal year 2021, but even then, it was not clear how much funding would actually become available. This required a tremendous amount of attention, discussion, and iterative modeling over the course of the fiscal year. The Partnership's Board of Directors and its committees were deeply engaged in this process, and the Board's strategy remained cautious, focusing on ensuring the Partnership could continue to function in the event of long-term revenue decline and/or neighborhood crisis. In practice, this meant starting from a conservative fiscal year 2021 budget and authorizing expenditures incrementally over the course of fiscal year 2021 as the situation unfolded. Fortunately, although revenues were initially somewhat reduced, they later stabilized and eventually increased relative to pre-pandemic months. As it eventually became clear that revenues were growing towards the end of fiscal year 2021, the Partnership's Board of Directors authorized significant additional spending in various tranches during the second half of the year, and the Partnership then moved quickly to put these unanticipated funds into productive use. The Partnership's actual operating revenue for fiscal year 2021 was \$7.4 million.

The Partnership has budgeted for Local Impact Grant revenue of \$5.8 million for fiscal year 2022 based on projections for fiscal year 2022 and actual fiscal year 2020 and 2021 Local Impact Grant revenues. The fiscal year 2022 budget is relatively conservative since the ongoing financial impact of the COVID-19 pandemic was still relatively uncertain during winter and early spring 2021 when the budget was being developed (and it remains somewhat uncertain). As a result, the Partnership's Board anticipates revising the fiscal year 2022 budget in response to this changing situation as it evolves. If revenues remain high, this could result in authorizing more spending than is currently budgeted. In the interim, the Partnership's Board will monitor the budget and performance monthly.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
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**Balance Sheet
As of June 30, 2021**

ASSETS

Current Assets

Cash and cash equivalents	\$	12,142,439
Receivables		15,000
Due from the State		661,709
Prepaid Expenses		5,262
Total Assets	\$	12,824,410

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	75,219
Payroll liabilities		16,602
Total Liabilities		91,821

Fund Balance

Committed		1,000,000
Assigned		11,732,589
Total Fund Balance		12,732,589
Total Liabilities and Fund Balance	\$	12,824,410

The accompanying notes are an integral part of this balance sheet.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
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**Statement of Revenue, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2021**

Revenue

Revenue \$ 7,351,482

Expenditures

Grant expense 621,565

Enhanced services 1,265,148

Transformational project 2,951,669

Professional fees 63,976

Facilities and equipment 29,400

Operations 56,279

Payroll 307,674

Travel and meetings 3,626

Miscellaneous 30,050

Total Expenditures 5,329,387

Change in Fund Balance 2,022,095

Fund balance, beginning of year 10,710,494

Fund Balance, End of Year \$ 12,732,589

The accompanying notes are an integral part of this financial statement.

SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT MANAGEMENT AUTHORITY

Notes to the Financial Statements June 30, 2021

1. ORGANIZATION

Authorizing Legislation

The South Baltimore Gateway Partnership (the Partnership) was established by law on September 12, 2016 as the South Baltimore Gateway Community Impact District Management Authority and is codified in the Baltimore City Code, Article 14 Section 19-4. Though neither an agency of city nor state government, the Authority is established as a governmental body to the greatest extent allowable by law. The Partnership implements the South Baltimore Gateway Master Plan, and under the Partnership's current strategic plan its main areas of focus are community development and revitalization, environmental sustainability, and health and wellness. The Partnership is funded by the Local Impact Grants generated by the three casinos in central Maryland: Horseshoe Casino, Maryland Live, and MGM Grand National Harbor. Under state law, not less than 50% of the Local Impact Grants that had previously been designated for the City of Baltimore has been reallocated for direct use by the Partnership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Partnership's activities are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered by the Partnership to be one year. Expenditures are recorded when the related liabilities are incurred. The Partnership's financial statements are presented on a modified accrual basis, which is essentially the same as the full accrual basis; therefore, separate entity-wide statements are not presented.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies as of 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.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
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**Notes to the Financial Statements
June 30, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Expenses

Revenue consists of intergovernmental revenue from the State of Maryland and interest earned on the value of the Partnership's deposit accounts. The Partnership also received some grant funding from the State of Maryland Department of Natural Resources and State of Maryland Department of Housing and Community Development. Expenditures consist of program and administrative expenses.

Fund Balance

In the fund financial statements, fund balances are classified in the following categories:

Committed

This category includes amounts constrained for a specific purpose by the Board using its highest level of decision-making authority, prior to year-end. As of June 30, 2021, the Partnership had \$1,000,000 as committed to serve as emergency reserves for future years to protect against potential funding fluctuations.

Assigned

This category includes amounts constrained by the intent to be used for a specific purpose by the Partnership. As of June 30, 2021, the Partnership had \$11,732,589, as assigned for the Partnership's commitments to program work, including projects underway and in development, and future overhead and indirect program expenses.

Unassigned

This category includes amounts not constrained by the Partnership prior to year-end. As of June 30, 2021, the Partnership did not have any unassigned as a result of the Partnership having a plan for the use of all available funds.

3. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Partnership's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Custodial credit risk-deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Partnership's deposits may not be recoverable. As of June 30, 2021, the carrying amount of the Partnership's deposits was \$12,142,439 and the bank balance was \$12,160,939.

**SOUTH BALTIMORE GATEWAY COMMUNITY IMPACT DISTRICT
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**Notes to the Financial Statements
June 30, 2021**

4. RECEIVABLES

Receivables represents amounts due from vendors. As of June 30, 2021, \$15,000 remained due.

5. DUE FROM THE STATE

Due from the State represents the amount of intergovernmental revenue held by the State that has not yet been remitted to the Partnership. As of June 30, 2021, \$661,709 remained due from the State. This amount was collected subsequent to year end.