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Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2007 calendar year, or tax year beginning **NOV 1, 2007** and ending **OCT 31, 2008**

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Termination <input checked="" type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type See Specific Instructions	C Name of organization THE DOWNTOWN COUNCIL		D Employer identification number 43-1572192
		Number and street (or P O box if mail is not delivered to street address) Room/suite 911 MAIN STREET 110		E Telephone number 816-421-1539
		City or town, state or country, and ZIP + 4 KANSAS CITY, MO 64105		F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations.

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates ▶ **N/A**

H(c) Are all affiliates included? **N/A** Yes No (If "No," attach a list)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Group Exemption Number ▶ **N/A**

G Website: ▶ **WWW.DOWNTOWNKC.ORG**

J Organization type (check only one) ▶ 501(c) (**6**) ◀ (insert no) 4947(a)(1) or 527

K Check here if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return

M Check if the organization is not required to attach Sch B (Form 990, 990-EZ, or 990-PF)

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **1,822,031.**

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1 Contributions, gifts, grants, and similar amounts received				
	a Contributions to donor advised funds	1a			
	b Direct public support (not included on line 1a)	1b			
	c Indirect public support (not included on line 1a)	1c			
	d Government contributions (grants) (not included on line 1a)	1d			
	e Total (add lines 1a through 1d) (cash \$ _____ noncash \$ _____)				1e 0.
	2 Program service revenue including government fees and contracts (from Part VII, line 93)				2 1,317,712.
	3 Membership dues and assessments				3 481,600.
	4 Interest on savings and temporary cash investments				4 5,256.
	5 Dividends and interest from securities				5
	6 a Gross rents	6a			
	b Less: rental expenses	6b			
c Net rental income or (loss) Subtract line 6b from line 6a				6c	
7 Other investment income (describe ▶ _____)				7	
8 a Gross amount from sales of assets other than inventory	(A) Securities		(B) Other		
	8a				
	8b				
c Gain or (loss) (attach schedule)	8c				
d Net gain or (loss) Combine line 8c, columns (A) and (B)				8d	
9 Special events and activities (attach schedule) If any amount is from gaming, check here <input type="checkbox"/>					
a Gross revenue (not including \$ _____ of contributions reported on line 1b)	9a				
b Less: direct expenses other than fundraising expenses	9b				
c Net income or (loss) from special events Subtract line 9b from line 9a				9c	
10 a Gross sales of inventory, less returns and allowances	10a				
	b Less: cost of goods sold	10b			
	c Gross profit or (loss) from sales of inventory (attach schedule) Subtract line 10b from line 10a				10c
11 Other revenue (from Part VII, line 103)				11 17,463.	
12 Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11				12 1,822,031.	
Expenses	13 Program services (from line 44, column (B))			13	
	14 Management and general (from line 44, column (C))			14	
	15 Fundraising (from line 44, column (D))			15	
	16 Payments to affiliates (attach schedule)			16	
	17 Total expenses. Add lines 16 and 44, column (A)				17 1,865,696.
18 Excess or (deficit) for the year Subtract line 17 from line 12				18 <43,665.>	
19 Net assets or fund balances at beginning of year (from line 73, column (A))				19 377,775.	
20 Other changes in net assets or fund balances (attach explanation)				20 0.	
21 Net assets or fund balances at end of year Combine lines 19, 20, and 18				21 334,110.	

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Part II Statement of Functional Expenses

All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a Grants paid from donor advised funds (attach schedule) (cash \$ <u>0</u> • noncash \$ <u>0</u> •) If this amount includes foreign grants, check here <input type="checkbox"/>				
22b Other grants and allocations (attach schedule) (cash \$ <u>0</u> • noncash \$ <u>0</u> •) If this amount includes foreign grants, check here <input type="checkbox"/>				
23 Specific assistance to individuals (attach schedule)				
24 Benefits paid to or for members (attach schedule)				
25a Compensation of current officers, directors, key employees, etc. listed in Part V-A	358,548.			
b Compensation of former officers, directors, key employees, etc. listed in Part V-B	0.			
c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
26 Salaries and wages of employees not included on lines 25a, b, and c	254,725.			
27 Pension plan contributions not included on lines 25a, b, and c	20,700.			
28 Employee benefits not included on lines 25a - 27	116,495.			
29 Payroll taxes	43,126.			
30 Professional fundraising fees				
31 Accounting fees	34,860.			
32 Legal fees	394.			
33 Supplies	14,479.			
34 Telephone	8,070.			
35 Postage and shipping	4,824.			
36 Occupancy	29,203.			
37 Equipment rental and maintenance				
38 Printing and publications	13,991.			
39 Travel				
40 Conferences, conventions, and meetings	124,333.			
41 Interest				
42 Depreciation, depletion, etc. (attach schedule)	5,815.			
43 Other expenses not covered above (itemize):				
a _____				
b _____				
c _____				
d _____				
e _____				
f _____				
g SEE STATEMENT 1	836,133.			
44 Total functional expenses. Add lines 22a through 43g (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	1,865,696.			

Joint Costs. Check if you are following SOP 98-2.
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ N/A (ii) the amount allocated to Program services \$ N/A
 (iii) the amount allocated to Management and general \$ N/A and (iv) the amount allocated to Fundraising \$ N/A

Part IV Balance Sheets (See the instructions.)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year	(B) End of year
Assets	45 Cash - non-interest-bearing	439,436.	243,697.
	46 Savings and temporary cash investments		
	47 a Accounts receivable	587,021.	
	b Less: allowance for doubtful accounts	52,611.	
		627,329.	534,410.
	48 a Pledges receivable		
	b Less: allowance for doubtful accounts		
	49 Grants receivable		
	50 a Receivables from current and former officers, directors, trustees, and key employees		
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)		
	51 a Other notes and loans receivable		
	b Less: allowance for doubtful accounts		
	52 Inventories for sale or use		
	53 Prepaid expenses and deferred charges	9,853.	27,009.
	54 a Investments - publicly-traded securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV		
b Investments - other securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV			
55 a Investments - land, buildings, and equipment: basis			
b Less: accumulated depreciation	21,667.		
56 Investments - other			
57 a Land, buildings, and equipment: basis	97,342.		
b Less: accumulated depreciation STMT 3	66,291.		
58 Other assets, including program-related investments (describe <input type="checkbox"/>)			
59 Total assets (must equal line 74). Add lines 45 through 58	1,098,285.	836,167.	
Liabilities	60 Accounts payable and accrued expenses	147,252.	72,125.
	61 Grants payable		
	62 Deferred revenue	534,975.	380,915.
	63 Loans from officers, directors, trustees, and key employees		
	64 a Tax-exempt bond liabilities		
	b Mortgages and other notes payable		
	65 Other liabilities (describe <input type="checkbox"/> PASS-THROUGH ACTIVITY)	38,283.	49,017.
66 Total liabilities. Add lines 60 through 65	720,510.	502,057.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.		
	67 Unrestricted	377,775.	334,110.
	68 Temporarily restricted		
	69 Permanently restricted		
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.		
	70 Capital stock, trust principal, or current funds		
	71 Paid-in or capital surplus, or land, building, and equipment fund		
	72 Retained earnings, endowment, accumulated income, or other funds		
	73 Total net assets or fund balances. Add lines 67 through 69 or lines 70 through 72 (Column (A) must equal line 19 and column (B) must equal line 21)	377,775.	334,110.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	1,098,285.	836,167.

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Part VI Other Information (continued) Yes No

c At any time during the calendar year, did the organization maintain an office outside of the United States? 91c
 If "Yes," enter the name of the foreign country N/A

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here
 and enter the amount of tax-exempt interest received or accrued during the tax year 92 | N/A

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue:					
a PROGRAM SERVICES					1,317,712.
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					481,600.
95 Interest on savings and temporary cash investments			14	5,256.	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue:					
a OTHER REVENUE					17,463.
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		5,256.	1,816,775.
105 Total (add line 104, columns (B), (D), and (E))					1,822,031.

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No. Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)

93A- ACTIVITIES ENCOURAGE BUSINESS TO BE DOWNTOWN, PEOPLE TO LIVE DOWNTOWN

103A AND PEOPLE TO VISIT DOWNTOWN

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

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Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13) N/A

106 Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.

Yes	No
	X

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	----- -----			
b	----- -----			
c	----- -----			
Totals				

107 Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.

Yes	No
	X

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	----- -----			
b	----- -----			
c	----- -----			
Totals				

108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?

Yes	No
	X

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer: *[Handwritten Signature]* Date: 3/3/10
 Type or print name and title: William Dietrich, President & CEO

Paid Preparer's Use Only

Preparer's signature: *[Handwritten Signature]* Date: 3/8/10
 Check if self-employed:
 Preparer's SSN or PTIN (See Gen. Inst. X):
 Firm's name (or yours if self-employed), address, and ZIP + 4: MILLER HAVILAND KETTER PC, PA
 1901 W. 47TH PLACE, SUITE 204
 WESTWOOD, KANSAS 66205
 EIN:
 Phone no: (913) 432-2727

AS AMENDED

2007 DEPRECIATION AND AMORTIZATION REPORT

FORM 990 PAGE 2

990

Asset No	Description	Date Acquired	Method	Life	Conv	Line No	Unadjusted Cost Or Basis	Bus % Excl	Section 179 Expense	Reduction In Basis	Basis For Depreciation	Beginning Accumulated Depreciation	Current Sec 179 Expense	Current Year Deduction	Ending Accumulated Depreciation
1	OFFICE EQUIPMENT AND FURNITURE	VARIOUS	200DE	5.00	H117		97,342.				97,342.	60,476.		5,815.	66,291.
	* TOTAL 990 PAGE 2 DEPR						97,342.				97,342.	60,476.		5,815.	66,291.

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FORM 990	OTHER EXPENSES			STATEMENT	1
DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING	
PROJECTS	470,426.				
CONTRACT LABOR	34,500.				
DUES AND SUBSCRIPTIONS	10,194.				
MISC PASS-THROUGH EXP	166,560.				
INSURANCE	8,275.				
PAYROLL EXPENSES	993.				
CONSULTING	11,596.				
BAD DEBT EXPENSE	85,359.				
ADVOCACY EXPENSES	17,000.				
PAYPAL SERVICE CHARGE	302.				
MISCELLANEOUS	3,309.				
MEMBERSHIP FORUMS	3,926.				
PARKING	23,693.				
TOTAL TO FM 990, LN 43	836,133.				

FORM 990	STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE PART III	STATEMENT	2
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EXPLANATION

THE MISSION OF THE DOWNTOWN COUNCIL IS TO CREATE AND MAINTAIN AN URBAN ENVIRONMENT THAT PROVIDES ECONOMIC REASONS FOR BUSINESSES TO BE DOWNTOWN, A QUALITY OF LIFE THAT ENCOURAGES PEOPLE TO LIVE DOWNTOWN, ENTERTAINMENT, AND CULTURAL EVENTS TO ATTRACT PEOPLE DOWNTOWN.

FORM 990	DEPRECIATION OF ASSETS NOT HELD FOR INVESTMENT		STATEMENT	3
DESCRIPTION	COST OR OTHER BASIS	ACCUMULATED DEPRECIATION	BOOK VALUE	
OFFICE EQUIPMENT AND FURNITURE	97,342.	66,291.	31,051.	
TOTAL TO FORM 990, PART IV, LN 57	97,342.	66,291.	31,051.	

AS AMENDED

Depreciation and Amortization 990
(Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service

▶ See separate instructions. ▶ Attach to your tax return.

Attachment
Sequence No 67

Name(s) shown on return

Business or activity to which this form relates

Identifying number

THE DOWNTOWN COUNCIL

FORM 990 PAGE 2

43-1572192

Part I Election To Expense Certain Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	125,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	500,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2006 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2008. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2007	17	5,815.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B - Assets Placed in Service During 2007 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property	/		27.5 yrs.	MM	S/L	
	/		27.5 yrs.	MM	S/L	
i Nonresidential real property	/		39 yrs.	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2007 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs.		S/L	
c	40-year	/	40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr	22	5,815.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

The Downtown Council
Attachment to Amended 2007 Form 990
Explanation of Changes to Amended Return
Taxable Year Ended 10/31/08

Changes to amended return arose from undergoing an independent audit, the report on which is attached.

Line No.	As		As Amended
	Originally Filed	Net Changes	
Page 1, Part 1, Revenue, Expenses, and Changes in Net Assets or Fund Balance			
2	1,324,489	(6,777)	1,317,712
3	474,100	7,500	481,600
4	5,256	-	5,256
11	-	17,463	17,463
12	1,803,845	18,186	1,822,031
17	1,794,376	71,320	1,865,696
18	9,469	(53,134)	(43,665)
19	377,775	-	377,775
21	387,244	(53,134)	334,110

Page 2, Part II, Statement of Functional Expenses

25a	358,548	-	358,548
26	225,933	28,792	254,725
27	51,298	(30,598)	20,700
28	95,723	20,772	116,495
29	43,126	-	43,126
31	33,653	1,207	34,860
32	2,985	(2,591)	394
33	17,352	(2,873)	14,479
34	7,396	674	8,070
35	4,824	-	4,824
36	24,183	5,020	29,203
38	13,307	684	13,991
40	122,533	1,800	124,333
42	5,720	95	5,815
43g	787,795	48,338	836,133
	1,794,376	71,320	1,865,696

Statement 1 support for line 43g, Other expenses in Statement of Functional Expenses

Projects	457,518	12,908	470,426
Contract labor	34,500	-	34,500
Dues and subscriptions	10,329	(135)	10,194
Passthrough expenses	161,095	5,465	166,560
Insurance	9,291	(1,016)	8,275
Payroll expenses	993	-	993
Consulting	13,283	(1,687)	11,596
Bad debt expense	55,137	30,222	85,359
Advocacy expenses	17,000	-	17,000
Paypal service charge	302	-	302
Miscellaneous expenses	3,055	254	3,309
Membership forums	3,926	-	3,926
Parking	21,366	2,327	23,693
Total other expenses	787,795	48,338	836,133

The Downtown Council
Attachment to Amended 2007 Form 990
Explanation of Changes to Amended Return
Taxable Year Ended 10/31/08

Changes to amended return arose from undergoing an independent audit, the report on which is attached

Line No.	As Originally Filed	Net Changes	As Amended
Page 4, Part IV, Balance Sheets at end of year			
Assets at end of year			
45 Cash	272,411	(28,714)	243,697
47a Accounts receivable	564,919	22,102	587,021
47b Less: allowance for doubtful accounts	(52,611)	-	(52,611)
53 Prepaid expenses and deferred charges	15,857	11,152	27,009
57a Land, buildings, and equipment. basis	92,656	4,686	97,342
57b Less: accumulated depreciation	(66,195)	(96)	(66,291)
21 Net assets or fund balances at end of year	<u>827,037</u>	<u>9,130</u>	<u>836,167</u>
Liabilities at end of year			
60 Accounts payable and accrued expenses	32,806	39,319	72,125
62 Deferred revenue	380,265	650	380,915
65 Custodial accounts for passthrough liabilities:	23,722	25,295	49,017
66 Total liabilities	<u>436,793</u>	<u>65,264</u>	<u>502,057</u>
Net Assets or Fund Balances at end of year			
67 Unrestricted	<u>390,244</u>	<u>(56,134)</u>	<u>334,110</u>
74 Total liabilities and net assets/fund balances	<u>827,037</u>	<u>9,130</u>	<u>836,167</u>

THE DOWNTOWN COUNCIL
FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEARS ENDED
OCTOBER 31, 2008 AND 2007
WITH INDEPENDENT AUDITORS' REPORT

**THE DOWNTOWN COUNCIL
FINANCIAL STATEMENTS
AS OF OCTOBER 31, 2008 AND 2007
AND FOR THE YEARS THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

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Member, American Institute CPA's • Member, Kansas Society CPA's • Member, Missouri Society CPA's • Admitted to Practice U.S. Tax Court

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Downtown Council
Kansas City, Missouri

We have audited the accompanying statement of financial position of

THE DOWNTOWN COUNCIL

as of October 31, 2008, and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Downtown Councils' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Downtown Council for the year ended October 31, 2007, were audited by other auditors whose report thereon, dated August 27, 2008, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Downtown Council as of October 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CERTIFIED PUBLIC ACCOUNTANTS

Westwood, Kansas
January 9, 2010

**THE DOWNTOWN COUNCIL
STATEMENTS OF FINANCIAL POSITION
AS OF OCTOBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 243,697	\$ 439,436
Accounts receivable, net of allowance for doubtful accounts of \$52,611 and \$52,611	534,410	627,329
Prepaid expenses	27,009	9,853
Property, equipment and improvements, net	<u>31,051</u>	<u>21,667</u>
TOTAL ASSETS	<u>\$ 836,167</u>	<u>\$ 1,098,285</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 54,812	\$ 130,574
Accrued expenses	17,313	16,678
Deferred revenue	380,915	534,975
Custodial accounts for pass-through liability	<u>49,017</u>	<u>38,283</u>
TOTAL LIABILITIES	<u>502,057</u>	<u>720,510</u>
<u>NET ASSETS</u>		
Unrestricted		
Board designated	100,000	100,000
Undesignated	<u>234,110</u>	<u>277,775</u>
TOTAL UNRESTRICTED NET ASSETS	<u>334,110</u>	<u>377,775</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 836,167</u>	<u>\$ 1,098,285</u>

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

**THE DOWNTOWN COUNCIL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED OCTOBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Membership dues	\$ 481,600	\$ 454,550
Project revenue	498,180	422,037
Event revenue	339,722	542,239
Management fees	479,810	383,400
Interest income	5,256	13,366
Other revenue	17,463	75,246
	<u>1,822,031</u>	<u>1,890,838</u>
<u>EXPENSES</u>		
Projects	504,927	672,703
Payroll	792,366	605,536
General and administrative	436,195	430,333
Bad debt	85,359	4,850
Professional fees	46,849	39,301
	<u>1,865,696</u>	<u>1,752,723</u>
TOTAL EXPENSES	<u>1,865,696</u>	<u>1,752,723</u>
CHANGE IN NET ASSETS	(43,665)	138,115
NET ASSETS AT BEGINNING OF YEAR	<u>377,775</u>	<u>239,660</u>
NET ASSETS AT END OF YEAR	<u>\$ 334,110</u>	<u>\$ 377,775</u>

The accompanying notes are an integral part of these financial statements

**THE DOWNTOWN COUNCIL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (43,665)	\$ 138,115
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,815	6,007
Net changes in operating assets and liabilities:		
Accounts and other receivables	92,919	(96,822)
Prepaid expenses	(17,156)	1,866
Accounts payable	(75,762)	(9,097)
Accrued expenses	635	(52,892)
Deferred revenue	(154,060)	(42,450)
Pass-through liability	10,734	(15,389)
Total adjustments	<u>(136,875)</u>	<u>(208,777)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(180,540)</u>	<u>(70,662)</u>
Cash Flows from Investing Activities		
Purchase of furniture and equipment	<u>(15,199)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(15,199)</u>	<u>-</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(195,739)	(70,662)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>439,436</u>	<u>510,098</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 243,697</u>	<u>\$ 439,436</u>

The accompanying notes are an integral part of these financial statements

**THE DOWNTOWN COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Tax Exempt Status

The Downtown Council (the Council) is a nonprofit membership organization consisting of 269 businesses, property owners, and organizations committed to the continuing development of downtown Kansas City, Missouri. DTCL, Inc., is a Missouri for-profit corporation that is a wholly-owned subsidiary of the Council, the sole activity of which is to hold a 1% investment in DTC, LLC that has nominal value and no activity. The Council is exempt from federal income tax under Internal Revenue Code Section 501(c)(6) as a business league

Basis of Accounting and Presentation

The financial statements of the Council are prepared on the accrual basis of accounting.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts at financial institutions, together with all highly liquid investments purchased with original maturities of three months or less, of which there were none during 2008 or 2007. Cash balances exceed federally insured limits from time to time, and the Council has not experienced any losses as a result of this risk.

Revenue Recognition and Accounts Receivable

Membership dues are billed annually in September and are due each November 1 for the membership year beginning in November and ending in October. Dues revenue is recognized on a pro rata basis over the membership term; accordingly, dues applicable to subsequent periods are classified as deferred revenues at the balance sheet date. All receivables are stated at realizable amounts due from members, net of an allowance for doubtful accounts. Management determines an allowance by considering a number of factors, including the length of time accounts receivable are past due, the previous loss history, the member current ability to pay its obligations, the condition of the general economy, and the fulfillment of contractual terms. The Council writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Interest is not charged on past-due accounts.

**THE DOWNTOWN COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, Equipment and Improvements

Furniture and equipment are carried at cost. Depreciation is computed using the straight-line method and is provided in amounts sufficient to related the cost of depreciable assets to operations over their estimated service lives, which range from three to ten years.

Custodial Accounts for Pass-Through Liabilities

The Council administers downtown projects under the terms of project contracts. The Council oversees each project, reviews expenses submitted for payment, makes payments, and submits requests for reimbursement of payment for related expenses. The Council records receipts of funds to custodial liability accounts and charges payments of funds to the custodial liability accounts. At October 31, 2008 and 2007, the Council had recorded \$51,017 and \$38,283, respectively, as custodial liabilities due to pass-through entities.

Reclassification

Certain prior year amounts have been reclassified in order to conform to current years' presentation. These reclassifications had no effect on the change in net assets.

NOTE B - PROPERTY AND EQUIPMENT

At October 31, 2008 and 2007, property and equipment at cost, less accumulated depreciation are summarized as follows.

	<u>2008</u>	<u>2007</u>
Cost		
Computer equipment	\$ 35,809	\$ 32,155
Telephone equipment	10,166	10,166
Furniture	42,715	39,820
Leasehold improvements	8,652	-
	<u>97,342</u>	<u>82,141</u>
Less: Accumulated depreciation	<u>(66,291)</u>	<u>(60,476)</u>
Property and Equipment, net	<u>\$ 31,051</u>	<u>\$ 21,665</u>
Total depreciation expense for the year	<u>\$ 5,815</u>	<u>\$ 6,007</u>

**THE DOWNTOWN COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE C - DEFINED CONTRIBUTION RETIREMENT PLAN

The Council sponsors a defined contribution retirement plan under Internal Revenue Code Section 401(k). The Council contributes 4% of each eligible employee's annual salary to the Plan. Individuals become eligible to participate in the Plan upon completing one quarter of full-time employment. Employees are 20% vested after 2 years, and the vesting percentage increases by 20% each year until they are fully vested after six years of employment. Employees may count current years of service toward their vesting schedule. Plan expenses for the years ended October 31, 2008 and 2007 were \$20,700 and \$24,643, respectively.

NOTE D - LEASE OBLIGATIONS

The Organization leases office space and equipment under non-cancelable operating leases which expire on various dates through the year 2014. Future minimum rentals under non-cancelable operating leases for the next five years and in the aggregate are as follows:

<u>Year Ending October 31,</u>	<u>Total</u>
2009	\$ 52,902
2010	52,902
2011	52,902
2012	52,902
2013	41,719
Thereafter	<u>1,404</u>
	<u>\$ 254,729</u>

During 2008 and 2007, rental expense paid under non-cancelable leases was \$24,839 and \$45,022, respectively.

**THE DOWNTOWN COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE E - RELATED PARTY TRANSACTIONS

The Council has directors, officers and employees in common with several entities, including the Downtown Kansas City Community Improvement District (the DCID), DTC-DMV, Inc. (DMV), the River Market Community Improvement District (RMCID), Power House Properties, LLC (PHP), and The Downtown Council Political Action Committee (PAC). The Council provides management, supervisory and other services to the DCID, the DMV, the RMCID and the PHP under the terms of management services agreements that are renewable annually; in addition, the Council assisted in the development of the PHP during the year ended October 31, 2008.

The DCID pays the Council a monthly management fee of 12% of the property tax assessment collected by the DCID. At October 31, 2008, the Council owed \$1,033 to the DCID. At October 31, 2007, the DCID owed \$108,488 to the Council

The DMV pays a monthly management fee \$2,000 to the Council. At October 31, 2008, the DMV owed \$4,000 to the Council. The Council serves as an unlimited guarantor on the DMV's \$100,000 line of credit at prime (4 50% at October 31, 2008) that matured in November 2008 and again in November 2009, and has since been renewed to mature again in November 2010. As of October 31, 2008 and 2007, balances outstanding on this line of credit were \$3,786 and \$18,000, respectively.

The RMCID pays the Council a monthly management fee of 12% of property tax assessments collected. At October 31, 2008 and 2007, RMCID owed balances to the Council of \$50,745 and \$84,575, respectively

The PHP pays the Council a monthly management fee of \$5,000. At October 31, 2008, PHP owed \$40,000 to the Council.

The Council incurs administrative expenses on behalf of the PAC. At October 31, 2008, PAC owed \$5,000 to the Council