

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
East Passyunk Avenue Business Improvement District

We have audited the accompanying financial statements of East Passyunk Avenue Business Improvement District (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets 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.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 East Passyunk Avenue Business Improvement District as of December 31, 2016, 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.



Philadelphia, Pennsylvania
March 15, 2017

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets:			
Cash	\$ 83,479	\$ 87,039	\$ 170,518
Accounts receivable net of \$9,780 for 2016 allowances for doubtful accounts	84,278		84,278
Other receivable	3,823		3,823
Prepaid expense	4,593	-0-	4,593
Total current assets	<u>176,173</u>	<u>87,039</u>	<u>263,212</u>
Fixed assets:			
Furniture	600		600
Streetscape equipment	173,932		173,932
Equipment	4,300		4,300
Lighting	129,211	-0-	129,211
	308,043		308,043
Less accumulated depreciation	(150,586)	-0-	(150,586)
Total fixed assets	<u>157,457</u>	<u>-0-</u>	<u>157,457</u>
Other Assets:			
Security deposits	700		700
Utility deposits	330	-0-	330
Total other assets	<u>1,030</u>	<u>-0-</u>	<u>1,030</u>
Total assets	<u>\$ 334,660</u>	<u>\$ 87,039</u>	<u>\$ 421,699</u>

LIABILITIES AND NET ASSETS

Current liabilities:			
Accounts payable and accrued expenses	\$ 10,282		\$ 10,282
Deferred revenue grants	-0-	\$ 87,039	87,039
Total liabilities	<u>10,282</u>	<u>87,039</u>	<u>97,321</u>
Net Assets, unrestricted	<u>324,378</u>	<u>-0-</u>	<u>324,378</u>
Total net assets	<u>324,378</u>	<u>-0-</u>	<u>324,378</u>
Total liabilities and net assets	<u>\$ 334,660</u>	<u>\$ 87,039</u>	<u>\$ 421,699</u>

See accompanying notes to financial statements

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Grants</u>	<u>Total</u>
Revenues:			
Assessments:			
Tax assessments	\$ 193,706		\$ 193,706
Contributions Income:			
Grants		\$ 111,117	111,117
Miscellaneous Income:			
Event income	105,554		105,554
Sponsorship	2,650		2,650
Finance changes on assessments	3,619		3,619
Other income	90,830		90,830
Net assets transferred from temporary			
Restricted to unrestricted grants	<u>111,117</u>	<u>(111,117)</u>	<u>-0-</u>
Total revenues	<u>\$ 507,476</u>	<u>\$ -0-</u>	<u>\$ 507,476</u>
Functional Expenditures:			
Accounting	3,500		3,500
Bank Service Charges	162		162
Consulting	16,168		16,168
Depreciation	32,131		32,131
Design/Beautification	22,998		22,998
Economic development	64,980		64,980
Façade reimbursement	4,603		4,603
Filing fees	150		150
Insurance	7,975		7,975
Legal fees	3,561		3,561
Marketing and promotion	121,846		121,846
Miscellaneous	3		3
Office	18,503		18,503
Office supplies	2,009		2,009
Payroll	80,250		80,250
Payroll taxes	6,682		6,682
Employee benefits	2,400		2,400
Payroll service fees	2,570		2,570
Refund	8		8
Sponsorship	12,155		12,155
Transportation	436	-0-	436
Total	<u>\$ 403,090</u>	<u>\$ -0-</u>	<u>\$ 403,090</u>
Change in net assets	104,386		104,386
Net assets at beginning of year	<u>219,992</u>	<u>-0-</u>	<u>219,992</u>
Net assets at end of year	<u>\$ 324,378</u>	<u>\$ -0-</u>	<u>\$ 324,378</u>

See accompanying notes to financial statements

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ 104,386
Depreciation	32,131
Adjustments to reconcile change in net assets to net cash used by operating activities	
Increase/decrease in:	
Accounts receivable	(82,744)
Other receivable	(654)
Prepaid expenses	380
Account payable and accrued expenses	6,782
Deferred revenue grants	(24,000)
	<u>36,281</u>
 Cash flow from investing activities	
Acquisition of equipment, furniture, leasehold improvements	<u>(65,606)</u>
Net cash used by investing activities	<u>(65,606)</u>
 Cash flow from financing activities	<u>-0-</u>
Net cash used by financing activities	<u>-0-</u>
 Net increase, (decrease) in cash	(29,325)
Cash, beginning	<u>199,843</u>
Cash, ending	<u>\$ 170,518</u>
 Supplemental disclosure of cash flow information:	
Interest paid	<u>\$ -0-</u>
Taxes paid	<u>\$ -0-</u>

See accompanying notes to financial statements

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

The significant accounting policies of the East Passyunk Avenue Business Improvement District ("EPBID") are as follows:

Note 1 Nature of Organization

The organization is a neighborhood improvement district whose goal is to promote the East Passyunk Business District section of the City of Philadelphia as a popular destination for retail trade, dining, entertainment and recreation.

Note 2 Background

The organization was formed on April 26, 2002 as Pennsylvania non-profit organized exclusively for charitable purposes under section 501 (C)(3) of the Internal Revenue code to formulate, promote and implement the economic revitalization and general welfare of the designated commercial area described above. The organization is a Neighborhood Improvement District formed as a Pennsylvania non-profit organization, which was authorized pursuant to the community and economic improvement act of the Commonwealth of Pennsylvania, who was established to administer programs and services.

A consulting firm, (The Atlantic Group) was engaged to prepare a business plan for the East Passyunk Avenue Business Improvement District. The business plan identified needs for the district and formulated a budget based on the needs and projected assessments.

The neighborhood improvement district generally includes both sides of East Passyunk Avenue from the south side of Federal Street to Broad Street, certain blocks of streets that intersect that portion of East Passyunk Avenue, both sides of South Broad Street from the south side of McKean Street to the north side of Snyder Avenue, and the west side of South Broad Street from the south side of Mifflin Street to the north side of McKean Street, which is now known as the East Passyunk Avenue Business Improvement District.

During 2009, the City of Philadelphia passed legislation which extended the organization for a 10 year term until 2019.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 3 Summary of Significant Accounting Policies

The FASB Accounting Standards Codification (FASB ASC)

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-01. The FASB Accounting Standards Codification (FASB ASC), which establishes the Codification as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. This standard is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adaptation of the standard changes the referencing of financial standards.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Federal Tax Status

The organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

In September 2009, the FASB issued ASU No. 2009-06, Income Taxes (topic 740), Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities Taxes (formerly FASB Interpretation No. 48 and Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes). FASB ASC 740 prescribes guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon adoption of this standard which has been adopted by the Organization as of January 1, 2009, as required.

The adoption of this standard did not require any adjustments to the Organization's financial statements. There were no tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next year. Tax years from 2013 through 2015 remain subject to examination by major tax jurisdictions.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 3 Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising costs and Donated Services

Advertising costs are expected as incurred. Substantial numbers of volunteers have donated approximately 2,000 hours to the organization's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Subsequent Events

FASB ASC 855-10 Subsequent Events (formerly SFAS No. 165.) is effective for interim or annual financial periods ending after June 15, 2009 and establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before the date the financial statements are available and issued. This standard was adopted for the year ended December 31, 2009. Subsequent events have been evaluated through March 15, 2017, the date that the financial statements were available to be issued.

Note 4 Assessment

The original method of determining the amount of assessment fee levied on property owners within the District was calculated at 20% of the real estate taxes for all commercial and industrial properties within the area. The budget included, not limited to, personnel and administration, programs and services, maintenance and operation, and capital expenditures was legislated to an apportion among benefited properties.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 5 Relationship with the City of Philadelphia

The City of Philadelphia has agreed to assist the Organization. The duties and responsibilities of the City of Philadelphia ("City") and the East Passyunk Avenue Business Improvement District, Inc. with respect to the district are as follows:

The City is responsible for maintaining the same level of municipal programs and services within the District before its designation as a neighborhood improvement district as after such designation.

East Passyunk Avenue Business Improvement District, Inc., shall fulfill all the duties and responsibilities of a Neighborhood Improvement District Management Association as set forth in the Community and Economic Improvement Act. Such duties and responsibilities include: administering programs, improvements and services within the District; preparing planning or feasibility studies or contracting for the preparation of such studies to determine needed capital improvements or administrative programs and services within the District; imposing special assessment fees and soliciting in-kind services or financial contributions from tax exempt property owners within the District in lieu of such assessment fees; hiring additional off-duty police officers or private security officers to support existing municipal and volunteer efforts aimed at reducing crime and improving security in the District; designating an advisory committee for the District; submitting an audit of all income and expenditures to the Department of Community and Economic Development and to City Council within 120 days after the end of each fiscal year; and submitting a report, including financial and programmatic information and summary of audit findings, to City Council and to all assessed property owners located in the District.

The organization has taken over the billing and collection process from the City and is responsible for the collection of all BID property assessment levied within the District, and will employ any legal methods to insure collection of such assessments, including the filing of liens.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6 Accounts Receivable

The accounts receivable balances are for property assessments receivable. Liens have been filed on unpaid property assessments. Management reviews account receivable aging report periodically. The Organization has authority to assess interest and liens on unpaid assessments. During 2016, the Organization collected past due assessments of \$21,548. See Note 9.

Note 7 Restricted Assets

Temporarily restricted assets consist of the following:

CDC Tax Credit	\$ 85,039
Philadelphia Cultural Fund	<u>2,000</u>
Amounts included in deferred revenue	<u>\$ 87,039</u>

Note 8 Deferred Revenue

The Organization has been receiving \$85,000 of Business Income and Receipts tax credit to a Community Development Corporation (CDC) from the City of Philadelphia since 2014. The CDC tax credit of \$85,039 was deferred in 2016.

	<u>Grant Received</u>	<u>Grant Spent</u>	<u>Grant Deferred</u>
2013	\$ 85,000		\$ 85,000
2014	85,000	\$ (56,748)	113,252
2015	85,000	(87,096)	111,156
2016	<u>85,000</u>	<u>(111,117)</u>	85,039
Total	<u>\$ 340,000</u>	<u>\$ 254,961</u>	

Note 9 Significant Event

During 2009, City Council extended the Business Improvement District for 10 years as described in City Bill Number 090128. The method for determining each property assessment is based upon 20% of the 2009 property tax bills. The property tax bills of the assessed area will generate \$172,158.92 for the next 10 years. During 2016 and 2015, the Organization was successful with collecting past due assessments and changed the allowance for past due assessments from 90% to 10% and recognized \$90,830 as a result of this change.