

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
East Passyunk Avenue Business Improvement District
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of East Passyunk Avenue Business Improvement District (a Pennsylvania Not-For-Profit Corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY (Continued)

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, 2019, 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
August 13, 2020

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current assets:	
Cash	\$ 90,636
Accounts receivable, net of allowance for doubtful accounts of \$6,921	120,158
Prepaid expenses	<u>3,663</u>
Total current assets	<u>214,457</u>
Fixed assets, net of accumulated depreciation of \$97,142	<u>155,528</u>
Other assets:	
Security deposits	700
Utility deposits	<u>330</u>
Total other assets	<u>1,030</u>
Total assets	<u>\$ 371,015</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ <u>19,242</u>
Net assets:	
Net assets, without donor restrictions	<u>351,773</u>
Total liabilities and net assets	<u>\$ 371,015</u>

See accompanying notes to financial statements

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Assessments	\$193,928		\$193,928
Grants		\$ 85,000	85,000
Event income	23,037		23,037
Sponsorship, event	22,150		22,150
Finance charges on assessments	1,801		1,801
Interest income	25		25
Net assets released from restrictions	<u>152,895</u>	<u>(152,895)</u>	
Total Support and Revenue	<u>393,836</u>	<u>(67,895)</u>	<u>325,941</u>
 Expenditures:			
Program	251,588		251,588
Supporting			
Administrative and support	44,740		44,740
Fundraising	<u>22</u>		<u>22</u>
Supporting total	<u>44,762</u>		<u>44,762</u>
Total Expenditures	<u>296,350</u>		<u>296,350</u>
 Increase (Decrease) in Net Assets	97,486	(67,895)	29,591
 Net Assets, at beginning of year	<u>254,287</u>	<u>67,895</u>	<u>322,182</u>
 Net Assets, at end of year	<u>\$351,773</u>	<u>\$ -0-</u>	<u>\$351,773</u>

See accompanying notes to financial statements

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:	
Increase in net assets	\$ 29,591
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	29,216
(Increase) decrease in operating assets:	
Accounts receivable	(9,092)
Prepaid expenses	(212)
Increase (decrease) in operating liabilities:	
Accounts payable	7,211
Deferred revenue	<u>(85,000)</u>
Net cash used in operating activities	<u>(28,286)</u>
 Cash flows from investing activities:	
Purchase of equipment and improvements	<u>(46,352)</u>
Net cash used in investing activities	<u>(46,352)</u>
 Net decrease in cash	(74,638)
Cash, beginning of year	<u>165,274</u>
Cash, end of year	<u>\$ 90,636</u>
 Supplemental disclosures:	
 Interest paid	<u>\$ 17</u>
 Taxes paid	<u>\$ -0-</u>

See accompanying notes to financial statements

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program	Supporting		Total
		Administrative	Fundraising	
Expenditures:				
Accounting		\$ 3,500		\$ 3,500
Bank service charges		283		283
Consulting, event management	\$ 7,500			7,500
Depreciation	26,295	2,921		29,216
Design/beautification	25,270			25,270
Donation	755			755
Economic development	4,908			4,908
Filing fees		150	\$ 22	172
Insurance	3,047	339		3,386
Interest		17		17
License and permits	1,310	146		1,456
Marketing, promotion, and events	105,448			105,448
Office		9,360		9,360
Office supplies		1,854		1,854
Payroll	70,793	7,866		78,659
Payroll tax	3,608	401		4,009
Employment benefits	654	73		727
Payroll service fee		2,217		2,217
Rent		15,600		15,600
Videography	1,883			1,883
Other	117	13		130
Total expenditures	<u>\$251,588</u>	<u>\$ 44,740</u>	<u>\$ 22</u>	<u>\$ 44,762</u>
	<u>84.9%</u>	<u>15.1%</u>	<u>-0-%</u>	<u>100.0%</u>

See accompanying notes to financial statements

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 Nature of Organization

The Organization is a neighborhood improvement district whose goal is to promote the East Passyunk Avenue 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 corporation 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, which 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 ("City") passed legislation which extended the organization for a 10-year term until 2019.

The Organization renewed the Business Improvement District on October 22, 2019, for 5 years as described in Ordinance No. 190233-A.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 3 Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

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

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Federal Tax Status

The organization is a not-for-profit corporation 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 under 509(a)(2). The Organization's federal tax returns are subject to examination by major tax jurisdictions from 2017-2019.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

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 expensed 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.

Fixed Assets

Fixed assets, which consist of furniture and equipment, streetscapes, and lighting, are reported in the financial statements. All fixed assets are capitalized at cost and updated for additions and retirements during the year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Fixed assets of the Organization are depreciated using the straight-line method over the estimated useful lives of the assets.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions. Those expenses include payroll, payroll taxes, employment benefits, depreciation and license and permits which are allocated between program and administrative functions. The allocation of payroll, payroll taxes, and employment benefits are based on the executive director's estimated time spent and effort made on each function. The allocation of depreciation is based on the types of fixed assets and their function. The allocation of license and permits are based on the types of license and permits.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 3 Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through August 13, 2020, the date that the financial statements were available to be issued.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) NO. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard did not affect the changes in net assets, financial position or cash flows.

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 taxed for all commercial and industrial properties within the area. The budget included, but was not limited to, personnel and administration, programs and services, maintenance and operation, and capital expenditures, and was legislated to be apportioned among benefited properties.

Note 5 Relationship with the City of Philadelphia

The City has agreed to assist the Organization. The duties and responsibilities of the City and the East Passyunk Avenue Business Improvement District 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 shall fulfill all the duties and responsibilities of a Neighborhood Improvement District Management Association as set forth in the Community and Economic Improvement Act.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 5 Relationship with the City of Philadelphia (Continued)

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 assessments levied within the District and will employ any legal methods to ensure collection of such assessments, including the filing of liens.

Note 6 Concentration of Credit Risk

The Organization maintains its cash balances at financial institutions. As of December 31, 2019, the Organization's uninsured cash balance was \$-0-.

Note 7 Accounts Receivable

The accounts receivable balances are for property assessments receivable. Liens have been filed on unpaid property assessments. Management reviews the accounts receivable aging report periodically. The Organization has the authority to assess interest and liens on unpaid assessments. Based on past history, the management established approximately 6% of the allowance for doubtful accounts previously.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 8 Lease Commitment

The Organization leases a suite at 1904 East Passyunk Avenue from an individual and the monthly lease rate was \$1,300. This office lease is a month to month lease and there is not a formal lease agreement between the Organization and the individual.

Note 9 Fixed Assets

The following is a summary of the fixed assets:

Furniture and equipment	\$ 23,950
Street signs	147,567
Street lighting	<u>81,153</u>
	252,670
Accumulated depreciation	<u>(97,142)</u>
	<u>\$ 155,528</u>

Note 10 Significant Events

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 budget of the assessed area will generate, at least, \$172,158 for the next 10 years. Since 2015, the Organization has been 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 in 2016.

During 2017, the Organization engaged a law firm to assist the district property owners to appeal their taxes in City tax assessments and to negotiate the allocation of street cleaning costs with the City of Philadelphia. The Organization also engaged a consultant to extend the BID before the BID sunsets.

The Organization renewed the Business Improvement District on October 22, 2019, for 5 years as described in Ordinance No. 190233-A. The method for determining each property assessment is based upon 0.11% of the OPA (Office of Property Assessment) value determined by the City.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 11 Liquidity

Financial assets available for general expenditure within one year are as follows as of December 31, 2019:

Cash	\$ 90,636
Accounts receivable, net of allowance of doubtful accounts of \$6,921	<u>120,158</u>
	<u>\$210,794</u>

The Organization's goal is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 12 Net Assets Without Donor Restrictions

Net assets without donor restriction were \$351,773 as of December 31, 2019.

Note 13 Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts on the Organization may include prolonged disruptions in their ability to operate annual community events. The impacts on the economy may reduce the collectability of the tax assessments and increase support services expenses. The future effects of these issues are unknown.