

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, 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.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Passyunk Avenue Business Improvement District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Passyunk Avenue Business Improvement District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in

INDEPENDENT AUDITOR'S REPORT

accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 East Passyunk Avenue Business Improvement District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Passyunk Avenue Business Improvement District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Philadelphia, Pennsylvania
April 21, 2022

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

| | |
|---|------------------|
| Current assets: | |
| Cash | \$ 97,372 |
| Accounts receivable, net of allowance for doubtful accounts of \$6,555 | 143,224 |
| Prepaid expenses | <u>3,854</u> |
| Total current assets | <u>244,450</u> |
| | |
| Fixed assets, net of accumulated depreciation of \$185,341 | <u>84,844</u> |
| | |
| Other assets: | |
| Security deposits | 700 |
| Utility deposits | <u>330</u> |
| Total other assets | <u>1,030</u> |
| | |
| Total assets | <u>\$330,324</u> |

LIABILITIES AND NET ASSETS

| | |
|--|------------------|
| Current liabilities: | |
| Accounts payable and accrued expenses | \$ <u>16,069</u> |
| | |
| Net assets: | |
| Net assets, without donor restrictions | <u>314,255</u> |
| | |
| Total liabilities and net assets | <u>\$330,324</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, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|------------------|
| Support and revenue: | | | |
| Assessments | \$178,854 | | \$178,854 |
| Grants | 40,000 | \$ 87,000 | 127,000 |
| General Sponsorship | 12,500 | | 12,500 |
| Interest income | 39 | | 39 |
| PPP loan forgiveness (including accrued Interest of \$172) | 16,972 | | 16,972 |
| Net assets released from restrictions | <u>95,117</u> | <u>(95,117)</u> | |
| Total support and revenue | <u>343,482</u> | <u>(8,117)</u> | <u>335,365</u> |
| Expenses: | | | |
| Program | 312,931 | | 312,931 |
| Supporting | | | |
| Administrative and support | <u>47,971</u> | <u> </u> | <u>47,971</u> |
| Total expenses | <u>360,902</u> | <u> </u> | <u>360,902</u> |
| Decrease in net assets | (17,420) | (8,117) | (25,537) |
| Net assets, at beginning of year | <u>331,675</u> | <u>8,117</u> | <u>339,792</u> |
| Net assets, at end of year | <u>\$314,255</u> | <u> </u> | <u>\$314,255</u> |

See accompanying notes to financial statements

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | |
|--|------------------|
| Cash flows from operating activities: | |
| Decrease in net assets | \$(25,537) |
| Adjustments to reconcile decrease in net assets to net cash provided by operating activities: | |
| Depreciation | 42,892 |
| PPP loan forgiveness | (16,972) |
| (Increase) decrease in operating assets: | |
| Accounts receivable and accrued expenses | 240 |
| Prepaid expenses | (33) |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | <u>7,029</u> |
| Net cash provided by operating activities | <u>7,619</u> |
| Cash flows from investing activities: | |
| Purchase of equipment and improvements | <u>(7,900)</u> |
| Net cash used in investing activities | <u>(7,900)</u> |
| Net decrease in cash | (281) |
| Cash, beginning of year | <u>97,653</u> |
| Cash, end of year | <u>\$ 97,372</u> |
| Supplemental disclosures: | |
| Interest paid | <u>\$ 19</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, 2021

| | <u>Program</u> | <u>Supporting Administrative</u> | <u>Total</u> |
|----------------------------------|------------------|--------------------------------------|------------------|
| Expenditures: | | | |
| Accounting | | \$ 4,000 | \$ 4,000 |
| Bank service charges | | 110 | 110 |
| Cleaning | \$ 72,115 | | 72,115 |
| Consulting, event management | 2,085 | | 2,085 |
| Depreciation | 42,672 | 220 | 42,892 |
| Design/beautification | 10,246 | | 10,246 |
| Donation | 300 | | 300 |
| Dues and subscriptions | | 777 | 777 |
| Economic development | 63 | | 63 |
| Insurance | 2,075 | 2,651 | 4,726 |
| Interest | | 86 | 86 |
| Licenses and permits | | 150 | 150 |
| Marketing, promotion, and events | 100,202 | | 100,202 |
| Office | | 9,671 | 9,671 |
| Office supplies | | 2,794 | 2,794 |
| Payroll | 75,686 | 8,409 | 84,095 |
| Payroll taxes | 7,127 | 792 | 7,919 |
| Payroll service fee | | 2,526 | 2,526 |
| Rent | | 15,600 | 15,600 |
| Other | 360 | 185 | 545 |
| Total expenditures | <u>\$312,931</u> | <u>\$ 47,971</u> | <u>\$360,902</u> |
| | <u>86.7%</u> | <u>13.3%</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, 2021

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 a 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. 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, 2021

Note 3 Summary of Significant Accounting Policies

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 2019-2021.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Advertising costs are expensed as incurred. Advertising expenses for the events for 2021 was \$15,770, which was included in marketing, promotion, and events expense of \$100,202.

Donated Services

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 contribute to non-financial assets or 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, depreciation, insurance, and other which are allocated between program and administrative functions. The allocation of payroll and payroll taxes 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 insurance and other are based on the types of expenses.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 3 Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through April 21, 2022, the date that the financial statements were available to be issued.

Note 4 Assessment

The method of determining the amount of assessment fee levied on property owners within the District was calculated at 0.11% of the OPA (Office of Property Assessment) value determined by the City 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, 2021

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, 2021, 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.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED DECEMBER 31, 2021

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>98,668</u> |
| | 270,185 |
| Accumulated depreciation | <u>(185,341)</u> |
| | <u>\$ 84,844</u> |

Note 10 Liquidity

Financial assets available for general expenditure within one year are as follows as of December 31, 2021:

| | |
|--|------------------|
| Cash | \$ 97,372 |
| Accounts receivable, net of allowance of doubtful accounts of \$6,555 | <u>143,244</u> |
| Total | <u>\$240,596</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 11 Net Assets Without Donor Restrictions

Net assets without donor restrictions were \$314,255 as of December 31, 2021.

Note 12 PPP Loan

On May 10, 2020, the Organization obtained a Paycheck Protection Program loan in the amount of \$16,800, and accrued interest of \$172 was incurred. The total amount of \$16,972 was forgiven on May 24, 2021.

EAST PASSYUNK AVENUE BUSINESS IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED DECEMBER 31, 2021

Note 13 Agreement With Other Nonprofit Organization

East Passyunk Avenue Business Improvement District (EPABID) and Passyunk Avenue Revitalization Corporation (PARC) are nonprofit organizations that both include in their missions to work to improve East Passyunk Avenue commercial corridor and surrounding neighborhoods. EPABID agreed to pay PARC quarterly payments for cleaning services. EPABID will pay PARC quarterly invoiced payments for associated cleaning during the term:

| | | | |
|------|-----------|--------------------|------------|
| 2021 | \$ 72,100 | (quarterly payment | \$ 18,023) |
| 2022 | 74,263 | (quarterly payment | 18,566) |
| 2023 | 76,491 | (quarterly payment | 19,123) |
| 2023 | 78,786 | (quarterly payment | 19,695) |

Note 14 Significant Uncertainty

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. The impacts on the economy may reduce the collectability of the 2021 tax assessments and increase support services expenses. The future effects on the collectability of the tax assessments are unknown.