

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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FOR THE YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Northern Liberties Business Improvement District
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Northern Liberties Business Improvement District (a Non-Profit Organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net asset, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Liberties Business Improvement District as of June 30, 2020, 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
September 29, 2020

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current assets:	
Cash	\$148,254
Accounts receivable, net of allowance for doubtful accounts of \$77,963	68,514
Prepaid expenses	<u>5,517</u>
Total current assets	<u>222,285</u>
Fixed assets:	
Fixed assets, net of accumulated depreciation of \$19,292	<u>34,133</u>
Total assets	<u>\$256,418</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 21,986
Grants payable - PSSD	<u>13,060</u>
Total current liabilities	<u>35,046</u>
Net assets:	
Net assets without donor restrictions	<u>221,372</u>
Total liabilities and net assets	<u>\$256,418</u>

The accompanying notes are an integral
part of these financial statements

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Net Assets Without Donor Restrictions</u>
Support and revenue:	
Assessments	\$421,392
Finance charges	7,919
Grants	57,422
Contributions	585
Fee income	1,189
Event income	483
Membership	1,572
Other income	3,218
Interest income	180
Total support and revenue	<u>493,960</u>
Expenses:	
Program	365,600
Support:	
General and administrative	46,627
Fundraising	
Total expenses	<u>412,227</u>
Changes in net assets	81,733
Net assets without donor restrictions, at beginning of year	<u>139,639</u>
Net assets without donor restrictions, at end of year	<u>\$221,372</u>

The accompanying notes are an integral
part of these financial statements

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:

Changes in net assets	\$ 81,733
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Depreciation	17,808
Bad debt expense	26,963
(Increase) decrease in operating assets:	
Accounts receivable	(77,867)
Prepaid expenses	(4,018)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	5,016
Grants payable - PSSD	<u>13,060</u>
Net cash provided by operating activities	<u>62,695</u>
Net increase in cash	62,695
Cash, beginning of year	<u>85,559</u>
Cash, end of year	<u>\$148,254</u>

Supplemental noncash information:

Income tax paid	\$ <u>-0-</u>
Interest expense paid	\$ <u>-0-</u>

The accompanying notes are an integral
part of these financial statements

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program	Supporting		Total
		Administrative	Fundraising	
Expenditures:				
Bad debt expense	\$ 26,963			\$ 26,963
Cleaning, maintenance, and public spaces	98,266			98,266
Neighborhood improvements and parking	17,800			17,800
Marketing and promotion	57,372			57,372
Economic development	58,138			58,138
Payroll	63,973	\$ 21,324	\$21,324	85,297
Payroll taxes	5,865	1,852	1,852	7,717
Payroll fees	1,225	395	395	1,620
Contract labor		1,480	1,480	1,480
Rent and utilities	16,796	5,598	5,598	22,394
Professional fees		6,672	6,672	6,672
Postage		553	553	553
Office supplies		6,522	6,522	6,522
Insurance	1,394	464	464	1,858
Board/staff development		1,723	1,723	1,723
Bank service		44	44	44
Depreciation	17,808			17,808
Total expenses	<u>\$365,600</u>	<u>\$ 46,627</u>	<u>\$ 46,627</u>	<u>\$412,227</u>
	<u>88.7%</u>	<u>11.3%</u>	<u>11.3%</u>	<u>100.0%</u>

The accompanying notes are an integral
part of these financial statements

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 Nature of Organization

The Organization is a neighborhood improvement district whose goal is to promote the Northern Liberties Business Improvement District (BID) 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 November 1, 2017 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.

The neighborhood improvement district generally includes both sides of North 2nd Street from the north side of Callowhill Street to the south side of Girard Avenue, both sides of North 3rd Street from Spring Garden Street to the south side of Willey Street, Spring Garden Street from North 2nd Street to the eastern side of North 5th Street, and certain blocks of streets that intersect portions of these streets, to be known as the Northern Liberties Business Improvement District.

On July 1, 2018, the Organization commenced operations and issued the first assessment bills and assumed responsibilities and duties of the community and economic improvement of the district.

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

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2020

Note 3 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

(ASC) 958, 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.

The Organization has elected to present net assets with donor restrictions as net assets without donor restrictions when the donor restrictions are satisfied within the same year.

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).

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2020

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.

Cash

Cash includes amounts on deposit in a checking account.

Fixed Assets

Fixed assets, which consist of equipment, 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 indicate certain categories of expenses that are attributable to program or supporting functions. Those expenses include payroll and payroll taxes, rent and utilities and insurance which are allocated between program and administrative functions. The allocation of payroll and payroll taxes is based on estimates of time and effort. The allocation of rent and utilities and insurance is based on the office square footage.

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.

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2020

Note 3 Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through September 29, 2020, the date that the financial statements were available to be issued.

In December 2019, an outbreak of 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 provide their rental and events programs. The impacts on the economy may reduce the rental and event revenues and increase support services expenses. The future effects of these issues are unknown. The Organization applied the Paycheck Protection Program (PPP) Loan, which provides a direct incentive for small business to keep their employees on the payroll by U.S. Small Business Administration (SBA) and received \$21,661 from SBA on August 17, 2020. The PPP Loan is forgivable if all employee retention criteria are met.

Note 4 Assessment

The method of determining the amount of assessment fees levied on property owners within the District was calculated by multiplying that portion of the district's annual budget attributed to assessment by a ratio of the assessed value of each property to the total assessed valuation of all the commercial properties inside the district, with adjustments made for no property paying more than 4% of the entire budget or less than \$1 a day. The Organization has authority to assess interest and liens on unpaid assessments.

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 Northern Liberties 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.

Northern Liberties 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.

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2020

Note 5 Relationship with the City of Philadelphia (Continued)

Such duties and responsibilities include: cleaning, maintenance and public safety; capital improvements and parking; economic development; marketing and promotions; and personnel and administration; 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 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 authority to assess interest and liens on unpaid assessments. The Organization expected approximately a 94% collection rate for the fiscal year ended June 30, 2020.

Note 7 Lease Commitment

The Organization signed a three-year lease agreement of a suite at 1030 North 2nd Street on August 27, 2018. The actual lease term started in mid-September 2018 with two months free rent for the first year. Minimum lease obligations are:

<u>Years</u>	<u>Amounts</u>
2021	19,003
2022	3,983
Total	<u>\$ 22,986</u>

Note 8 Fixed Assets

The following is a summary of the fixed assets:

Solar trash cans	\$ 53,425
Accumulated depreciation	<u>(19,292)</u>
	<u>\$ 34,133</u>

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2020

Note 9 Liquidity

Financial assets available for general expenditure within one year are as follows as of June 30, 2020:

Cash	\$ 148,254
Accounts receivable, net of allowance of doubtful accounts of \$77,963	<u>68,514</u>
	<u>\$ 216,768</u>

Note 10 Grants

In the fiscal year 2020, the Organization recorded the following grant revenue:

<u>Grantor</u>	<u>Amount</u>
Philadelphia Cultural Fund	\$ 7,622
2 nd Street Festival Co.	20,000
Penn Treaty Special Service District	<u>29,750</u>
Total	<u>\$ 57,422</u>

Penn Treaty Special Service District("PSSD") granted \$42,810 to the Organization; however, the Organization spent \$29,750 of the grant during the fiscal year 2020. The Organization has to refund the residual amount of \$13,060 to Penn Treaty Special Service District.