

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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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, 2021, 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, 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.

Philadelphia, Pennsylvania
October 15, 2021

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current assets:	
Cash	\$200,825
Accounts receivable, net of allowance for doubtful accounts of \$60,945	52,880
Grants receivable	<u>24,982</u>
Total current assets	<u>278,687</u>
Cash restricted for community development program	<u>5,500</u>
Fixed assets:	
Furniture	53,425
Less accumulated depreciation	<u>(37,101)</u>
Total fixed assets	<u>16,324</u>
Total assets	<u>\$300,511</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued expenses	\$ 20,562
Security deposits	2,450
Loan payable - PPP	<u>21,661</u>
Total current liabilities	<u>44,673</u>
Net assets:	
Net assets without donor restrictions	250,338
Net assets with donor restrictions	<u>5,500</u>
Total net assets	<u>255,338</u>
Total liabilities and net assets	<u>\$300,511</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, 2021

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Tax assessments	\$450,883		\$450,883
Adjustments	<u>(19,877)</u>	_____	<u>(19,877)</u>
	431,006		431,006
Finance charges	18,831		18,831
Grants		\$100,732	100,732
Contributions	150	7,000	7,150
Event income	2,268		2,268
Membership	1,551		1,551
Merchandise sales	513		513
Interest income	139		139
Net assets released from restrictions	<u>102,232</u>	<u>(102,232)</u>	
Total support and revenue	<u>556,690</u>	<u>5,500</u>	<u>562,190</u>
Expenses:			
Program	462,418		462,418
Support:			
General and administrative	<u>65,306</u>	_____	<u>65,306</u>
Total expenses	<u>527,724</u>	_____	<u>527,724</u>
Changes in net assets	28,966	5,500	34,466
Net assets, at beginning of year	<u>221,372</u>	_____	<u>221,372</u>
Net assets, at end of year	<u>\$250,338</u>	<u>\$ 5,500</u>	<u>\$255,838</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, 2021

Cash flows from operating activities:	
Changes in net assets	\$ 34,466
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Depreciation	17,808
(Increase) decrease in operating assets:	
Accounts receivable	15,635
Grants receivable	(24,982)
Prepaid expenses	5,517
Increase (decrease) in operating liabilities:	
Accrued expenses	(1,424)
Security deposits	2,450
Grants payable	<u>(13,060)</u>
Net cash provided by operating activities	<u>36,410</u>
Cash flows from financing activities:	
Proceeds from loan payable - PPP	<u>21,661</u>
Net cash provided by financing activities	<u>21,661</u>
Net increase in cash	58,071
Cash, beginning of year	<u>148,254</u>
Cash, end of year	<u>\$206,325</u>
Cash Unrestricted	\$200,825
Cash restricted for community development program	5,500
Total cash	<u>\$206,325</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, 2021

	<u>Program</u>	<u>Supporting Administrative</u>	<u>Total</u>
Expenditures:			
Cleaning, maintenance, and public spaces	\$136,839		\$136,839
Neighborhood improvements and parking	52,911		52,911
Marketing and promotion	76,134		76,134
Economic development	52,469		52,469
Payroll	97,441	\$ 32,480	129,921
Payroll taxes	8,123	2,708	10,831
Payroll fees	1,200	400	1,600
Healthcare stipend	417	139	556
Rent and utilities	15,968	5,323	21,291
Professional fees		6,942	6,942
Postage	1,735	578	2,313
Office supplies		14,580	14,580
Insurance	1,373	457	1,830
Board/staff development		1,048	1,048
Bank service		651	651
Depreciation	17,808		17,808
Total expenses	<u>\$462,418</u>	<u>\$ 65,306</u>	<u>\$527,724</u>
	<u>87.6%</u>	<u>12.4%</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, 2021

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 Wildey 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, 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, 2021

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.

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).

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.

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

Note 3

Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Marketing and promotion expenses for the year ended June 30, 2021 was \$76,134.

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 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, postage, 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. The allocation of postage is based on the purpose of the usage.

Subsequent Events

Subsequent events have been evaluated through October 15, 2021, the date that the financial statements were available to be issued.

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

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.

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.

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2021

Note 6 Accounts Receivable

Accounts receivable are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical trends and aging of receivables.

The accounts receivable balances are for property assessments receivable. Liens have been filed on unpaid property assessments. The Organization has authority to assess interest and liens on unpaid assessments. The allowance for doubtful accounts was \$60,945 at June 30, 2021.

The Organization adjusted \$19,877 to the budgeted revenue due to owner occupancy exemption and the property value adjustments for the fiscal year ended June 30, 2021.

For the fiscal year ended June 30, 2021, the Organization initiated a collection process for past due tax assessments, including offering payment plans based on need and filing liens. The Organization assessed financial charges of \$18,831 for past due accounts.

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. The rental expense for the fiscal year ended June 30, 2021, was \$18,790. On September 16, 2021, the Organization renewed the lease an additional two years from 2021. Minimum lease obligations are:

<u>Years</u>	<u>Amounts</u>
FY 2022	\$ 18,735
FY 2023	20,112
FY 2024	5,065
Total	<u>\$ 43,912</u>

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2021

Note 8 Liquidity

Financial assets available for general expenditure within one year are as follows as of June 30, 2021:

Cash	\$ 200,825
Accounts receivable, net of allowance of doubtful accounts of \$60,945	52,880
Grants receivable	<u>24,982</u>
	<u>\$ 278,687</u>

Note 9 Grants/Grants Receivable

In the fiscal year 2021, the Organization recorded the following grant revenue:

<u>Grantor</u>	<u>Amount</u>
Penn Treaty Special Service District("Penn Treaty SSD")	\$ 48,768
City of Philadelphia Department of Commerce	49,964
PECO	<u>2,000</u>
Total	<u>\$ 100,732</u>

During the fiscal year 2020, Penn Treaty SSD granted \$42,810 to the Organization; however, the Organization spent \$29,750 of the grant. The Organization had to refund the residual amount of \$13,060 to Penn Treaty SSD. During the fiscal year 2021, the additional \$4,613 for the project was spent and the refund to Penn Treaty SSD was reduced from \$13,060 to \$8,447. Penn Treaty SSD granted an additional \$44,155 to the Organization for the community development program during the fiscal year ended 2021.

The Organization was awarded \$49,964 from City of Philadelphia Development of Commerce to implement and oversee the marketing and promotion activities of the community. The Organization received 50% of \$49,964 (\$24,982) in the fiscal year ended 2021 and received the remaining \$24,982 after the fiscal year ended 2021. However, the Organization spent the entire \$49,964 to complete the community development program during the fiscal year ended 2021.

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

Note 10 Net Assets Without Donor Restrictions

Net assets without donor restrictions were \$250,338 as of June 30, 2021.

Note 11 Net Assets with Donor Restrictions

Net assets with donor restrictions were \$5,500 as of June 30, 2021. The \$2,000 from PECO was for solar light project. The \$3,500 from Penn Treaty SSD was for the health and wellness Fair for the fiscal year ended 2022.

Note 12 Significant Uncertainty

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. The impacts on the economy may 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.