

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Northern Liberties Business Improvement District (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 Northern Liberties Business Improvement District as of June 30, 2022, 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 Northern Liberties 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 Northern Liberties 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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 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 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 Northern Liberties 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 Northern Liberties 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  
December 22, 2022

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2022

ASSETS

Current assets:	
Cash	\$183,636
Accounts receivable, net of allowance for doubtful accounts of \$31,635	45,145
Grants receivable	<u>54,016</u>
Total current assets	<u>282,797</u>
Fixed assets:	
Equipment	53,425
Less accumulated depreciation	<u>(53,425)</u>
Net fixed assets	<u>          </u>
Total assets	<u>\$282,797</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued expenses	\$ 79,481
Payroll liabilities	<u>817</u>
Total current liabilities	<u>80,298</u>
Net assets:	
Net assets without donor restrictions	178,028
Net assets with donor restrictions	<u>24,471</u>
Total net assets	<u>202,499</u>
Total liabilities and net assets	<u>\$282,797</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, 2022

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Tax assessments	\$464,409		\$464,409
Adjustments	<u>(11,813)</u>		<u>(11,813)</u>
	452,596		452,596
Finance charges	7,367		7,367
PPP loan forgiveness	21,661		21,661
Grants - government		\$ 54,016	54,016
Grants - corporation		60,750	60,750
Sponsorships		8,000	8,000
Contributions	105		105
Event income	8,415		8,415
Membership	2,704		2,704
Merchandise sales	3,985		3,985
Interest income	110		110
Net assets released from restrictions	<u>98,295</u>	<u>(98,295)</u>	
Total support and revenue	<u>595,238</u>	<u>24,471</u>	<u>619,709</u>
Expenses:			
Program	605,714		605,714
Support:			
General and administrative	<u>67,334</u>		<u>67,334</u>
Total expenses	<u>673,048</u>		<u>673,048</u>
Changes in net assets	(77,810)	24,471	(53,339)
Net assets, at beginning of year	<u>255,838</u>		<u>255,838</u>
Net assets, at end of year	<u>\$178,028</u>	<u>\$ 24,471</u>	<u>\$202,499</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, 2022

Cash flows from operating activities:	\$(53,339)
Changes in net assets	
Adjustments to reconcile changes in net assets to cash used in operating activities:	
Depreciation	16,324
PPP loan forgiveness	(21,661)
(Increase) decrease in operating assets:	
Accounts receivable	32,717
Grants receivable	(54,016)
Increase (decrease) in operating liabilities:	
Accrued expenses	59,648
Payroll liabilities	88
Security deposits	<u>(2,450)</u>
Net cash used in operating activities	<u>(22,689)</u>
 Net decrease in cash	 (22,689)
 Cash, beginning of year	 <u>206,325</u>
 Cash, end of year	 <u><u>\$183,636</u></u>
 Supplemental noncash information:	
Income tax paid	<u>\$ -0-</u>
Interest expense paid	<u><u>\$ -0-</u></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, 2022

	<u>Program</u>	<u>Supporting Administrative</u>	<u>Total</u>
Expenses:			
Grant	\$ 60,750		\$ 60,750
Cleaning, maintenance, and public spaces	128,438		128,438
Neighborhood improvements and parking	154,774		154,774
Marketing and promotion	85,574		85,574
Economic development	27,536		27,536
Payroll	96,388	\$ 32,129	128,517
Payroll taxes	8,213	2,738	10,951
Payroll fees	715	238	953
Office help	5,295		5,295
Rent and utilities	18,304	6,101	24,405
Professional fees		7,245	7,245
Postage	998	333	1,331
Office supplies		12,177	12,177
Insurance	1,460	487	1,947
Board/staff development		3,068	3,068
Bank service charges		2,818	2,818
Depreciation	16,324		16,324
Other	945		945
Total expenses	<u>\$605,714</u>	<u>\$ 67,334</u>	<u>\$673,048</u>
	<u>90.0%</u>	<u>10.0%</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, 2022

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 2<sup>nd</sup> Street from the north side of Callowhill Street to the south side of Girard Avenue, both sides of North 3<sup>rd</sup> Street from Spring Garden Street to the south side of Wildey Street, Spring Garden Street from North 2<sup>nd</sup> Street to the eastern side of North 5<sup>th</sup> 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, 2022

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, 2022

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, 2022 was \$85,574.

Nonfinancial Asset Donation

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 December 22, 2022, 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, 2022

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, 2022

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 \$31,635 at June 30, 2022.

The Organization adjusted \$11,813 to the budgeted revenue of \$464,409 due to owner occupancy exemption and the property value adjustments for the fiscal year ended June 30, 2022.

For the fiscal year ended June 30, 2022, 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 \$7,367 for past due accounts.

Note 7      Lease Commitment

The Organization signed a three-year lease agreement of a suite at 1030 North 2<sup>nd</sup> 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, 2022, was \$19,900. 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 2023	\$ 20,112
FY 2024	5,065
Total	<u>\$ 25,177</u>

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED JUNE 30, 2022

Note 8      Liquidity

Financial assets available for general expenditure within one year are as follows as of June 30, 2022:

Cash	\$183,636
Accounts receivable, net of allowance of doubtful accounts of \$31,635	45,145
Grants receivable	<u>54,016</u>
	<u>\$282,797</u>

Note 9      Grants/Grants Receivable

In the fiscal year 2022, the Organization recorded the following grant revenue:

<u>Grantor</u>	<u>Amount</u>
Penn Treaty Special Service District (PTSSD)	\$ 60,750
Pennsylvania Department of Community and Economic Development (PA DCED)	<u>54,016</u>
Total	<u>\$114,766</u>

During the fiscal year 2022, the Organization received the grant of \$60,750 from PTSS. The Organization regranted the entire \$60,750 to a corporation which located in the district and helped the Organization to organize and execute the annual community festival in August 2022.

In November, 2021, the Organization's application of local share account program of \$54,016 was approved by PA DCED. The grant has to be used to install solar lights in the community. The Organization spent \$29,545 for the project as of June 30, 2022.

Note 10      Net Assets With Donor Restrictions

Net assets with donor restrictions were \$24,471 as of June 30, 2022 for local share account program.

Note 11      Net Assets Without Donor Restrictions

Net assets without donor restrictions were \$178,028 as of June 30, 2022.



NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 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 was forgiven on September 19, 2021.