

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS - INCOME TAX BASIS
FOR THE YEAR ENDED JUNE 30, 2023

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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 assets, liabilities, and net assets - income tax basis as of June 30, 2023, and the related statements of revenues, expenses, and changes in net assets - income tax basis, cash flows - income tax basis, and functional expenses - income tax basis 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 assets, liabilities, and net assets of Northern Liberties Business Improvement District as of June 30, 2023, and its revenues, expenses, and other changes in net assets for the year then ended in accordance with the basis of accounting Northern Liberties Business Improvement District uses for income tax purposes described in Note 3.

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.

Basis of Accounting

We draw attention to Note 3 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting Northern Liberties Business Improvement District uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the income tax basis of accounting described in Note 3; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

Sherry M. McGovern - Associates PC

Philadelphia, Pennsylvania
February 7, 2024

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - INCOME TAX BASIS
JUNE 30, 2023

ASSETS

Current assets:	
Cash	\$ 111,078
Accounts receivable	<u>91,029</u>
Total current assets	<u>202,107</u>
Fixed assets:	
Equipment	53,425
Less accumulated depreciation	<u>(53,425)</u>
Net fixes assets	<u>0</u>
Total assets	<u>\$ 202,107</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 28,066
Accrued expenses	<u>23,247</u>
Total current liabilities	<u>51,313</u>
Net assets:	
Net assets without donor restrictions	<u>150,794</u>
Total liabilities and net assets	<u>\$ 202,107</u>

The accompanying notes are an integral
part of these financial statements

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND NET ASSETS - INCOME TAX BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Tax assessments	\$ 478,341	\$	\$ 478,341
Tax assessments adjustments	<u>(1,139)</u>	<u> </u>	<u>(1,139)</u>
	477,202		477,202
Finance charges	20,226		20,226
Grants	100,000	74,365	174,365
Sponsorships		11,500	11,500
Contributions	1,500		1,500
Event income	3,485		3,485
Membership	3,784		3,784
Merchandise sales	732		732
Fee for service	3,975		3,975
Interest income	34		34
Other income	5,199		5,199
Net assets released from restrictions	<u>110,336</u>	<u>(110,336)</u>	<u> </u>
Total support and revenue	<u>726,473</u>	<u>(24,471)</u>	<u>702,002</u>
Expenses:			
Program	665,419		665,419
Support:			
General and administrative	<u>88,287</u>	<u> </u>	<u>88,287</u>
Total expenses	<u>753,706</u>	<u> </u>	<u>753,706</u>
Changes in net assets	(27,233)	(24,471)	(51,704)
Net assets, at beginning of year	<u>178,027</u>	<u>24,471</u>	<u>202,498</u>
Net assets, at end of year	<u>\$ 150,794</u>	<u>\$</u>	<u>\$ 150,794</u>

The accompanying notes are an integral
part of these financial statement

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS - INCOME TAX BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Changes in net assets	\$ (51,704)
Adjustments to reconcile changes in net assets to cash used in operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	(45,884)
Grants receivable	54,016
Increase (decrease) in operating liabilities:	
Accounts payable	28,066
Accrued expenses	(56,235)
Payroll liabilities	(817)
Net cash used in operating activities	<u>(72,558)</u>
Net decrease in cash	(72,558)
Cash, beginning of year	<u>183,636</u>
Cash, end of year	<u>\$ 111,078</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 - INCOME TAX BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program</u>	<u>Supporting Administrative</u>	<u>Total</u>
Expenses:			
Cleaning, maintenance, and public spaces	\$ 252,428		\$ 252,428
Neighborhood improvements and parking	171,765		171,765
Marketing and promotion	82,783		82,783
Economic development	10,035		10,035
Payroll	110,030	\$36,676	146,706
Payroll taxes	8,304	2,768	11,072
Payroll fees	793	264	1,057
Office help	6,083		6,083
Rent and utilities	20,092	6,698	26,790
Professional fees		14,194	14,194
Postage	273	91	364
Office supplies		23,180	23,180
Insurance	1,583	527	2,110
Board/staff development		2,448	2,448
Bank service charges		1,441	1,441
Grant refund	1,250		1,250
Total expenses	<u>\$ 665,419</u>	<u>\$ 88,287</u>	<u>\$ 753,706</u>
	<u>88.3%</u>	<u>11.7%</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, 2023

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 Wilkey 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 of accounting in conjunction with the income tax basis that the Organization uses for filing its federal tax return, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). There are several differences between the way items are accounted for in accordance with GAAP and the way treated under the income tax basis of accounting. Under GAAP, the allowance for doubtful account amounts are estimated for accounts receivables and under the income tax basis, actual bad debt losses on uncollectible receivables are written off directly.

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

Note 3 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Under GAAP, ASU 2016-02 requires leases to recognize right-of-use assets and corresponding lease liabilities for all leases with terms more than 12 months. However, ASU 2016-02 does not apply to the income tax basis of the financial statements.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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).

Advertising Costs

Advertising costs are expensed as incurred. Marketing and promotion expenses for the year ended June 30, 2023 was \$82,783.

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

Note 3 Summary of Significant Accounting Policies (Continued)

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 February 7, 2024, the date that the financial statements were available to be issued.

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.

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023

Note 6 Accounts Receivable

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 Organization adjusted \$1,139 to the budgeted revenue of \$478,341 due to owner occupancy exemption and the property value adjustments for the fiscal year ended June 30, 2023.

For the fiscal year ended June 30, 2023, the Organization assessed financial charges of \$20,226 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, 2023, was \$22,300. On August 30, 2023, the Organization renewed the lease an additional two years from 2023. Minimum lease obligations are:

<u>Years</u>	<u>Amounts</u>
FY 2024	\$ 20,715
FY 2025	21,339
FY 2026	5,374
Total	<u>\$ 47,428</u>

Note 8 Liquidity

Financial assets available for general expenditure within one year are as follows as of June 30, 2023:

Cash	\$ 111,078
Accounts receivable	91,029
Total	<u>\$ 202,107</u>

NORTHERN LIBERTIES BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

Note 9 Grants/Grants Receivable

In the fiscal year 2023, the Organization recorded the following grant revenue:

<u>Grantor</u>	<u>Amount</u>
Community Development Corporation (CDC) Tax Credit - Post Brothers	\$ 100,000
Penn Treaty Special Service District (PTSSD)	52,715
City of Philadelphia Department of Commerce (PDC)	21,650
Total	<u>\$ 174,365</u>

During the fiscal year 2023, the Organization received \$100,000 from Post Brothers by participating in the Philadelphia CDC tax credit program. Post Brothers donated \$100,000 to the Organization and received the Philadelphia tax credit.

During the fiscal year 2023, the Organization received the grant of \$52,715 from PTSSD. The Organization spent \$52,715 for the sidewalk program of \$12,000, the camera program of \$17,595 and the Second and Laurel Streets design of \$23,120.

During the fiscal year 2023, the Organization received the grant of \$21,650 from PDC. The Organization received the grant to install security cameras on 1030 N. American Street, 637 N. Second Street, 943 N. Second Street, 939 N. Second Street, 906 N. Second Street, 601 N. Second Street, 901 N. Second Street, and 700 N. Second Street.

Note 10 Net Assets Without Donor Restrictions

Net assets without donor restrictions were \$150,794 as of June 30, 2023.