

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Fishtown Kensington Area Business Improvement District  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Fishtown Kensington Area Business Improvement District (a Pennsylvania Not-For-Profit Corporation) (the "District"), which comprise the statement of financial position as of December 31, 2020, 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.

### 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.



## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITY (Continued)

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

### OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fishtown Kensington Area Business Improvement District as of December 31, 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  
August 26, 2021

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020

ASSETS

Current assets:	
Cash	\$ 51,510
Accounts receivable, net of allowance for doubtful accounts of \$89,397	299,149
Prepaid expenses	<u>2,020</u>
Total current assets	<u>352,679</u>
Total assets	<u>\$ 352,679</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 81,528
PPP loan	23,895
Impact loan	<u>25,000</u>
Total current liabilities	<u>130,423</u>
Total liabilities	<u>130,423</u>
Net assets:	
Net assets, without donor restrictions	222,256
Net assets, with donor restrictions	<u>222,256</u>
Total net assets	<u>222,256</u>
Total liabilities and net assets	<u>\$352,679</u>

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:			
Assessments	\$595,977		\$595,977
Grant income	82,250		82,250
Other income	14,315		14,315
Interest income	354		354
Total revenue	<u>692,896</u>	<u>          </u>	<u>692,896</u>
Expenditures:			
Program	381,609		381,609
Administrative and support	89,031		89,031
Fundraising			
Total expenditures	<u>470,640</u>	<u>          </u>	<u>470,640</u>
Increase (decrease) in net assets	222,256		222,256
Net assets, at beginning of year	<u>          </u>	<u>          </u>	<u>          </u>
Net assets, at end of year	<u>\$222,256</u>	<u>          </u>	<u>\$222,256</u>

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	\$222,256
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debts	89,397
(Increase) decrease in operating assets:	
Accounts receivable	(388,546)
Prepaid expenses	(2,020)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	81,528
	<u>2,615</u>
 Net cash provided by operating activities	
 Cash flows from financing activities:	
Proceeds from PPP loan	23,895
Proceeds from Impact loan	25,000
Net cash provided by financing activities	<u>48,895</u>
 Net increase in cash	51,510
 Cash, beginning of year	
Cash, end of year	<u>\$ 51,510</u>
 Supplemental disclosures:	
Interest paid	\$ -0-
Taxes paid	\$ -0-

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program	Supporting		Total
		Administrative	Fundraising	
Accounting		\$ 8,127	\$ 0	\$ 8,127
Application filing fees		659		659
Bad debts	\$ 89,397			89,397
Bank service charges		239		239
Benefit stipends	6,733			6,733
Capital improvements and parking	22,839			22,839
Cleaning, greening, and maintenance	95,259			95,259
Economic Development and public safety	11,868			11,868
Dues and subscriptions		1,500		1,500
Insurance		4,083		4,083
Meals and entertainment		167		167
Marketing and communications	15,056	19,155		19,155
Office expenses		4,743		4,743
Payroll processing fees	308			308
Payroll taxes	10,610	1,816		1,816
Professional fees		7,175		7,175
Rent		16,133		16,133
Repairs		300		300
Salaries	129,287	22,396		22,396
Travel	252			252
Utilities		2,538		2,538
Total expenses	<u>\$381,609</u>	<u>\$ 89,031</u>		<u>\$ 89,031</u>
	<u>81.1%</u>	<u>18.9%</u>		<u>100.0%</u>

See accompanying notes to financial statements



FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Fishtown Kensington Area Business Improvement District, Inc. (the "District") was formed on December 13, 2019 as a Pennsylvania Not-For-Profit Corporation organized exclusively for charitable purposes under section 501(c)(3) of the Internal Revenue Code. The District was established under the Community and Economic Improvement Act (53 P.S. Section 18101 et. seq.) and operates as a Neighborhood Improvement District. The District commenced operations on January 1, 2020 and its mission is to administer programs and services to promote and enhance a more attractive and safer district including economic growth and increased employment opportunities. The District is scheduled to sunset on December 31, 2024.

Basis of Presentation

The financial statements of the District 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, 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 District 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 District. The District'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 District or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash

Cash includes amounts on deposit in checking and money market saving accounts. The District had no donor restricted cash as of December 31, 2020.

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessment

The boundary of the District includes all commercial properties taxable for real estate purposes on both sides of Frankford Avenue from the west side of Delaware Avenue to the southwest side of Lehigh Avenue, beginning with 945 Frankford Avenue and continuing to 2677-83 Frankford Avenue; both sides of North Front Street from the north side of Poplar Street to the south side of Montgomery Street, beginning with the address of 901 N Front Street and continuing to 1772 N Front Street; both sides of East Girard Avenue from Frankford Avenue continuing to the west side of E Fletcher Street, beginning with the address of 100 E Girard and continuing to 829 E Girard; and the north side of West Girard from Frankford Avenue to Front Street and the south side of West Girard from Frankford Avenue to Howard Street, beginning with the address of 1 W Girard and ending with the address of 101 W Girard on the north side and 128 W Girard on the south side; and other commercial properties adjacent to Frankford Avenue at intersecting streets specifically listed in the Ordinance. Properties include commercially zoned properties, properties used commercially, and apartment buildings containing five or more residential units. Properties that are statutorily exempt from paying real estate taxes are exempt from paying assessments to the District. The method of determining the amount of the assessment fee is as follows: the annual billing amount for the district will be equitably apportioned by dividing the assessed market value of the property by the total assessed market value for all properties subject to the assessment and multiplying the result by the annual billing amount per the ordinance. If the preliminary assessment for any real property is less than \$365, then the Final assessment for such property shall be \$365. District assessments will be calculated annually using the most recent certified values provided by the City of Philadelphia Office of Property Assessment. The annual assessment charges to be levied on property owners are to be equitably apportioned among all properties charged within the whole district service area.

The Philadelphia ordinance adopted a five-year budget with maximum billing amounts as follows:

2020	\$640,000
2021	\$659,200
2022	\$678,976
2023	\$699,345
2024	\$720,326

After the 2020 assessment billings, the District determined that some properties identified in the Ordinance were exempt from District assessments. Accordingly, 2020 revenue was reduced to \$595,977.

The District uses the allowance method in determining accounts receivable. Management annually accrues an appropriate percentage as an allowance. The allowance recorded as of December 31, 2020 on accounts deemed uncollectible was \$89,397. Periodically, management reviews the accounts receivable aging to determine its adequacy.

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessment (Continued)

The District legally has the right to lien properties located within the District that do not pay their annual assessments in a timely manner. Unless other mutually agreeable terms are reached between the property owners and the District, assessment payments are due in full before January 31<sup>st</sup> of each fiscal year. As of December 31, 2020, the District has not filed any liens against delinquent properties.

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 salaries, payroll taxes, and marketing and communications which are allocated between program and administrative functions. The allocation is based on the executive director's estimated time spent and effort made on each function.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 2019-2020.

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 to in exchange for those goods or services. This standard was adapted in the fiscal year ended December 31, 2020. The standard did not affect the changes in net assets, financial position or cash flows.

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated events or transactions that have occurred after December 31, 2020 (the financial statements date) through August 26, 2021, the date on which the report was available to be issued.

Note 2 CONCENTRATION OF CREDIT RISK

The District maintains its cash balances at a financial institution, which at various times during the year may exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation (FDIC). The District has not experienced any losses in such accounts. As of December 31, 2020, the District's uninsured cash balance was \$0.

Note 3 LEASE COMMITMENT

The District has a lease on its office for a five year term commencing February 1, 2020 and terminating January 31, 2025. Total rent expenses for the year ended December 31, 2020 was \$16,133. Monthly rent is \$2,000 with tenant's portion of water and sewer service added. The District's commitment for the remaining lease term is projected as follows for the following years based upon scheduled rents.

2021	\$ 24,000
2022	24,000
2023	24,000
2024	24,000
2025	2,000
	<u>\$98,000</u>

Note 4 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions was \$222,256 as of December 31, 2020.

Note 5 NET ASSETS WITH DONOR RESTRICTIONS

The District had no net assets with donor restrictions as of December 31, 2020.

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6 LIQUIDITY

Financial assets available for general expenditure within one year are as follows as of December 31, 2020.

Cash	\$ 51,510
Accounts receivable, net of allowance of doubtful accounts of \$89,397	<u>299,149</u>
Total	<u>\$350,659</u>

As part of its liquidity management, the District has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which would be approximately \$77,000 as of year end. The District's goal is to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. The District does not have a line of credit available to assist with liquidity management.

Note 7 SIGNIFICANT UNCERTAINTY

In December 2019, an outbreak of a 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 District may include prolonged disruptions in their ability to provide their community development programs. The impacts on the economy may reduce grant income and increase support services expenses. The future effects of these issues are unknown.