

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2020

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Opinion

We have audited the accompanying financial statements of Fishtown Kensington Area Business Improvement District (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 Fishtown Kensington Area Business Improvement District as of December 31, 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.

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 Fishtown Kensington Area 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 Fishtown Kensington Area 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.



McGOVERN & ASSOCIATES, P.C.

INDEPENDENT AUDITOR'S REPORT

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, including omissions, 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 Fishtown Kensington Area 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 Fishtown Kensington Area 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.

Report on Summarized Comparative Information

We have Previously audited Fishtown Kensington Area Business Improvement District 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Philadelphia, Pennsylvania
March 24, 2022

TAX COMPLIANCE ▲ ACCOUNTING & AUDITING ▲ MANAGEMENT ADVISORY SERVICES ▲ PERSONAL FINANCIAL PLANNING

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FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2021
 WITH COMPARATIVE FINANCIAL INFORMATION
 AS OF DECEMBER 31, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 4,400	\$ 51,510
Accounts receivable, net of allowance for doubtful accounts of \$123,186 for 2021 and \$89,397 for 2020	464,982	299,149
Prepaid expenses	<u>2,018</u>	<u>2,020</u>
Total current assets	<u>\$471,400</u>	<u>\$352,679</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 59,653	\$ 81,528
PPP loan		<u>23,895</u>
Total current liabilities	<u>59,653</u>	<u>130,423</u>
Other liabilities:		
Impact loan	<u>7,404</u>	<u>25,000</u>
Total liabilities	<u>67,057</u>	<u>130,423</u>
Net assets:		
Net assets, without donor restrictions	<u>404,343</u>	<u>222,256</u>
Total liabilities and net assets	<u>\$471,400</u>	<u>\$352,679</u>

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 WITH COMPARATIVE FINANCIAL INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Assessments	\$563,384	\$595,977
Grant income	118,421	82,250
Other income		14,315
Interest income	1,770	354
PPP loan forgiveness	56,505	
Sponsorship	<u>23,894</u>	
Total revenue	<u>763,974</u>	<u>692,896</u>
Expenses:		
Program	471,022	381,609
Administrative and support	<u>110,865</u>	<u>89,031</u>
Total expenses	<u>581,887</u>	<u>470,640</u>
Increase in net assets	182,087	222,256
Net assets, at beginning of year	<u>222,256</u>	_____
Net assets, at end of year	<u>\$404,343</u>	<u>\$222,256</u>

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$182,087	\$222,256
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debts	33,790	89,397
PPP loan forgiveness	(56,505)	
(Increase) decrease in operating assets:		
Accounts receivable	(199,619)	(388,546)
Prepaid expenses	(2)	(2,020)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	<u>(21,875)</u>	<u>81,528</u>
Net cash provided by (used in) operating activities	<u>(62,124)</u>	<u>2,615</u>
Cash flows from financing activities:		
Proceeds from PPP loan	32,610	23,895
Proceeds from Impact loan		25,000
Repayment of Impact loan	<u>(17,596)</u>	
Net cash provided by financing activities	<u>15,014</u>	<u>48,895</u>
Net increase (decrease) in cash	(47,110)	51,510
Cash, beginning of year	<u>51,510</u>	
Cash, end of year	<u>\$ 4,400</u>	<u>\$ 51,510</u>
Supplemental disclosures:		
Interest paid	<u>\$ -0-</u>	<u>\$ -0-</u>
Taxes paid	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>Supporting Management and General</u>	<u>2021 Total</u>	<u>2020 Total</u>
Accounting		\$ 5,327	\$ 5,327	\$ 8,127
Application filing fees		1,100	1,100	659
Bad debts	\$ 33,790		33,790	89,397
Bank service charges		36	36	239
Benefit stipends	976		976	6,733
Capital improvements and parking	9,714		9,714	22,839
Cleaning, greening, and maintenance	169,885		169,885	95,259
Economic Development and public safety	32,417		32,417	11,868
Dues and subscriptions		2,222	2,222	1,500
Insurance		14,986	14,986	4,083
Meals and entertainment		76	76	167
Marketing and communications	70,596	24,239	94,835	34,211
Office expenses		4,464	4,464	4,743
Payroll processing fees	2,134		2,134	308
Payroll taxes	11,435	1,884	13,319	12,426
Professional fees				7,175
Rent		24,204	24,204	16,133
Repairs		6,696	6,696	300
Salaries	140,075	23,292	163,367	151,683
Taxes		163	163	
Travel				252
Utilities		2,176	2,176	2,538
Total expenses	<u>\$471,022</u>	<u>\$110,865</u>	<u>\$581,887</u>	<u>\$470,640</u>
	<u>80.9%</u>	<u>19.1%</u>	<u>100.0%</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, 2021
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
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, 2021.

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED DECEMBER 31, 2021
 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
 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

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, 2021 on accounts deemed uncollectible was \$123,186. 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, 2021
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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 31st of each fiscal year. As of December 31, 2021, 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 of salaries and payroll taxes is based on the executive director's estimated time spent and effort made on each function. The allocation of marketing and communications is based on the types of expenses.

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 District 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 District's federal tax returns are subject to examination by major tax jurisdictions from 2019-2021.

SUBSEQUENT EVENTS

Management has evaluated events or transactions that have occurred after December 31, 2021 through March 24, 2022, the date on which the report was available to be issued.

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED DECEMBER 31, 2021
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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, 2021, 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, 2021 was \$24,204. 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.

2022	\$ 24,000
2023	24,000
2024	24,000
2025	2,000
	\$74,000

Note 4 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions was \$404,343 as of December 31, 2021.

Note 5 LIQUIDITY

Financial assets available for general expenses within one year are as follows as of December 31, 2021.

Cash	\$ 4,400
Accounts receivable, net of allowance of doubtful accounts of \$123,186	464,982
Total	\$469,382

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 \$95,000 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.

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
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FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6 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. The District received the second PPP loan of \$32,610 in 2021. The first PPP loan of \$23,895 and the second PPP loan of \$32,610 were forgiven in 2021.