

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS - INCOME TAX BASIS

FOR THE YEAR ENDED DECEMBER 31, 2023

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2022

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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 assets, liabilities, and net assets-income tax basis, as of December 31, 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 Fishtown Kensington Area Business Improvement District as of December 31, 2023, and its revenues, expenses, and changes in net assets, and cash flows for the year then ended in accordance with the basis of accounting Fishtown Kensington Area Business Improvement District uses for income tax purposes described in Note 1.

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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting Fishtown Kensington Area 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting described in Note 1; 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.

INDEPENDENT AUDITOR'S REPORT(Continued)

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.

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 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on Summarized Comparative Information

We have Previously audited Fishtown Kensington Area Business Improvement District's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Philadelphia, Pennsylvania
November 1, 2024

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - INCOME TAX BASIS
DECEMBER 31, 2023
WITH COMPARATIVE FINANCIAL INFORMATION
AS OF DECEMBER 31, 2022

ASSETS		
	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 18,077	\$ 29,547
Accounts receivable	427,070	469,787
Grant receivable		22,000
Prepaid expenses	2,016	2,016
Total current assets	<u>\$447,163</u>	<u>\$523,350</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 34,997	\$ 61,531
Impact loan	48,659	49,166
Total current liabilities	<u>83,656</u>	<u>110,697</u>
Net assets:		
Net assets, without donor restrictions	<u>363,507</u>	<u>412,653</u>
Total liabilities and net assets	<u>\$447,163</u>	<u>\$523,350</u>

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - INCOME TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2023</u>	<u>2022</u>
Revenue:		
Assessments	\$ 587,262	\$ 557,061
Fundraising	400	6,244
Grant income	269,894	269,517
Other income	1,603	693
Interest income	22,718	10,946
Sponsorship	<u>1,652</u>	<u>2,947</u>
Total revenue	<u>883,529</u>	<u>847,408</u>
Expenses:		
Program	780,613	717,011
Supporting:		
Administrative and support	152,062	116,827
Fundraising	<u>5,260</u>	<u>5,260</u>
Total Supporting	<u>152,062</u>	<u>122,087</u>
Total expenses	<u>932,675</u>	<u>839,098</u>
Change in net assets	(49,146)	8,310
Net assets, at beginning of year	<u>412,653</u>	<u>404,343</u>
Net assets, at end of year	<u>\$ 363,507</u>	<u>\$ 412,653</u>

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS- INCOME TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (49,146)	\$ 8,310
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debts		33,278
(Increase) decrease in operating assets:		
Accounts receivable	42,717	(38,083)
Grants receivable	22,000	(22,000)
Prepaid expenses		2
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(26,534)	1,878
Net cash provided by used in operating activities	<u>(10,963)</u>	<u>(16,615)</u>
Cash flows from financing activities:		
Proceeds from Impact loan		49,166
Repayment of Impact loan	(507)	(7,404)
Net cash provided by financing activities	<u>(507)</u>	<u>41,762</u>
Net increase (decrease) in cash	(11,470)	25,147
Cash, beginning of year	29,547	4,400
Cash, end of year	<u>\$ 18,077</u>	<u>\$ 29,547</u>
Supplemental disclosures:		
Interest paid	\$ 2,886-	\$ 1,693-
Taxes paid	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
STATEMENTS OF FUNCTIONAL EXPENSES - INCOME TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

	Supporting			
	Program	Management and General	Fundraising	Total
				2023
				2022
Accounting		\$ 6,395	\$ 6,395	\$ 6,139
Application filing fees		1,280	1,280	
Bad debts				33,278
Bank service charges		894	894	66
Benefit stipends		1,678	1,678	
Beautification				11,628
Capital improvements	\$ 35,775		35,775	
and parking				
Cleaning, greening, and maintenance	131,982		131,982	115,602
Economic Development and public safety	203,224		203,224	207,445
Dues and subscriptions	184,805	2,979	184,805	123,004
Fundraising			2,979	1,825
Insurance		21,841	21,841	5,260
Interest expense		2,886	2,886	22,664
Legal fees		4,378	4,378	1,693
Meals and entertainment		1,810	1,810	1,938
Marketing and communications	29,257	35,034	64,291	97,659
Office expenses		5,883	5,883	3,196
Payroll processing fees		485	485	1,391
Payroll taxes	12,774	4,258	17,032	13,392
Rent		24,217	24,217	24,201
Repairs		225	225	1,120
Salaries	182,796	34,549	217,345	164,827
Taxes				663
Travel		65	65	15
Utilities		3,205	3,205	2,092
Total expenses	\$ 780,613	\$ 152,062	\$ 932,675	\$ 839,098
	83.7%	16.3%	100.00%	100.00%

See accompanying notes to financial statements

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

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. The District is going through a renewal process and the Board expects it to be extended in December 2024.

Basis of Presentation

The financial statements of the District have been prepared on the accrual basis in conjunction with the income tax basis of accounting, 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. 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.

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash includes amounts on deposit in checking and money market saving accounts. The District had no donor restricted cash as of December 31, 2023.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessment (Continued)

The District uses the direct write off method in determining accounts receivable. Periodically, management reviews the accounts receivable aging to determine if any uncollectible accounts receivable need to be written off.

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, 2023, the District has filed 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.

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 2021-2023.

Advertising Costs

Advertising costs are expensed as incurred. Marketing and promotion expenses for the year ended December 31, 2023 was \$64,291.

SUBSEQUENT EVENTS

Management has evaluated events or transactions that have occurred after December 31, 2023 through November 1, 2024, the date on which the financial statements were available to be issued.

FISHTOWN KENSINGTON AREA BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023
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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, 2023, 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, 2023 was \$24,217. 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.

2024	24,000
2025	<u>2,000</u>
	<u>\$ 26,000</u>

Note 4 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions was \$363,507 as of December 31, 2023.

Note 5 LIQUIDITY

Financial assets available for general expenses within one year are as follows as of December 31, 2023.

Cash	\$ 18,077
Accounts receivable, net of allowance for doubtful accounts \$56,028	<u>427,070</u>
Total	<u>\$445,147</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 \$128,800 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, 2023
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Note 6 SHORT TERM LOAN

The District obtained a \$50,000 short term loan on December 21, 2022 from the Impact Loan Fund, Inc. The loan is an interest only loan with an effective interest rate as of December 31, 2023 of 6.0%. The loan principal due date is December 1, 2024. The loan is collateralized by the District's assets.

Note 7 GRANTS

The District received grant funding from:

Local Share Account Grant	\$ 55,518
CDC Tax Credit	100,000
Corridor Cleaning	56,500
Corridor Enhancement	377
Penn Treaty Special Services	51,500
Philadelphia Activity Fund	5,999
Total	<u>\$269,894</u>

Note 8 EXECUTIVE BONUS and SUBSEQUENT EVENTS

The District's Executive Director compensation is based on a base salary plus bonus payments based on a formula of the external grants that the district receives within the fiscal year unless the bonus would cause the event or specific improvement to take a financial loss. Because of the organization's cash flow related to Covid and slow district collections the director agreed to delay collections. During 2023, the organization paid 26,047 in bonuses that were earned from 2020 through 2023 and \$29,230 was agreed to be paid in 2024.