

MT. AIRY IMPROVEMENT DISTRICT, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2018

MT. AIRY IMPROVEMENT DISTRICT, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Mt. Airy Improvement District, Inc.  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Mt. Airy Improvement District, Inc. (a Pennsylvania Not-For-Profit Corporation) (the "District"), which comprise the statement of financial position as of December 31, 2019, 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 Mt. Airy Improvement District, Inc. as of December 31, 2019, 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.

### REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited the Mt. Airy Improvement District, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived

Philadelphia, Pennsylvania  
March 10, 2020

MT. AIRY IMPROVEMENT DISTRICT, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2019  
 WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$322,994	\$290,157
Accounts receivable, net of allowance for doubtful accounts	77,367	129,029
Prepaid expenses	<u>3,766</u>	<u>6,733</u>
Total current assets	<u>404,127</u>	<u>425,919</u>
Fixed assets:		
Equipment, net of accumulated depreciation	<u>25,427</u>	<u>19,928</u>
Total assets	<u>\$429,554</u>	<u>\$445,847</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 4,291	\$ 11,203
Deferred revenue	214,596	204,829
Current portion of lease payable	<u>1,484</u>	<u>8,603</u>
Total current liabilities	<u>220,371</u>	<u>224,635</u>
Long-term liabilities:		
Lease payable	<u>-0-</u>	<u>1,484</u>
Total liabilities	<u>220,371</u>	<u>226,119</u>
Net assets:		
Net assets, without donor restrictions	209,183	219,728
Net assets, with donor restrictions		
Total net assets	<u>209,183</u>	<u>219,728</u>
Total liabilities and net assets	<u>\$429,554</u>	<u>\$445,847</u>

See accompanying notes to financial statements

MT. AIRY IMPROVEMENT DISTRICT, INC.  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Assessments	\$204,829		\$204,829	\$191,371
Fees and penalties	762		762	23,819
Non-profit contributions	1,359		1,359	2,575
Grant income	43,251		43,251	10,000
Interest income	392		392	759
Other income	60		60	250
Total Support and Revenue	<u>250,653</u>	<u>          </u>	<u>250,653</u>	<u>228,774</u>
Expenditures:				
Program	224,653		224,653	247,774
Administrative and support	36,545		36,545	50,229
Fundraising				-0-
Total Expenditures	<u>261,198</u>	<u>          </u>	<u>261,198</u>	<u>298,003</u>
Decrease in Net Assets	(10,545)		(10,545)	(69,229)
Net Assets, at beginning of year	<u>219,728</u>	<u>          </u>	<u>219,728</u>	<u>288,957</u>
Net Assets, at end of year	<u>\$209,183</u>	<u>\$ -0-</u>	<u>\$209,183</u>	<u>\$219,728</u>

See accompanying notes to financial statements

MT. AIRY IMPROVEMENT DISTRICT, INC.  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$(10,545)	\$(69,229)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,443	3,733
Bad debts		10,241
(Increase) decrease in operating assets:		
Accounts receivable	51,662	221,567
Prepaid expenses	2,967	1,257
Increase (decrease) in operating liabilities:		
Accounts payable	(6,912)	(1,701)
Deferred revenue	9,767	13,458
Net cash provided by operating activities	<u>51,382</u>	<u>179,326</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(9,942)</u>	<u>-0-</u>
Net cash used in investing activities	<u>(9,942)</u>	<u>-0-</u>
Cash flows from financing activities:		
Equipment lease payments	<u>(8,603)</u>	<u>(8,108)</u>
Net cash used in financing activities	<u>(8,603)</u>	<u>(8,108)</u>
Net increase in cash	32,837	171,218
Cash, beginning of year	<u>290,157</u>	<u>118,939</u>
Cash, end of year	<u>\$322,994</u>	<u>\$290,157</u>
Supplemental disclosures:		
Interest paid	<u>\$ 368</u>	<u>\$ 864</u>
Taxes paid	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying notes to financial statements

MT. AIRY IMPROVEMENT DISTRICT, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	2019			2018	
	Program	Supporting		Total	Total
		Administrative	Fundraising		
Accounting		\$ 4,000		\$ 4,000	\$ 4,000
Bad debts					10,241
Bank service charges					10
Beautification	\$ 2,017			2,017	1,855
Bookkeeping		1,374		1,374	1,975
Cleaning	9,524			9,524	7,550
D&O insurance		1,534		1,534	1,777
Depreciation	4,223	220		4,443	3,733
Dues and subscriptions		572		572	43
General liability insurance		1,931		1,931	5,757
Greening	9,179			9,179	10,605
Interest expense		368		368	864
Legal collections/lien fillings	214			214	13,704
Marketing and communications	2,191			2,191	418
Meetings	1,045			1,045	1,752
Office expenses		3,014		3,014	2,184
Payroll processing fees	1,013			1,013	983
Payroll taxes	8,265	843		9,108	10,358
Professional fees		875		875	
Rent		5,580		5,580	5,580
Salaries	97,926	11,813		109,739	103,223
Special projects	89,056			89,056	106,768
Taxes - Sales/Use/Rental		717		717	717
Telephone and internet		805		805	857
Travel		49		49	134
Workers' compensation		2,850		2,850	2,915
Total expenses	<u>\$224,653</u>	<u>\$ 36,545</u>	<u>\$ -0-</u>	<u>\$ 36,545</u>	<u>\$261,198</u>
	<u>86.0%</u>	<u>14.0%</u>		<u>14.0%</u>	<u>100.0%</u>

See accompanying notes to financial statements



MT. AIRY IMPROVEMENT DISTRICT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR DECEMBER 31, 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Mt. Airy Improvement District, Inc. (the "District") is a Pennsylvania Not-For-Profit Corporation incorporated on November 22, 2006. 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 October 1, 2007 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 was scheduled to sunset on December 31, 2017. City of Philadelphia ordinance 170406 extended the sunset of the BID until December 31, 2022. The Business Improvement District generally includes both sides of Germantown Avenue from 6300 to 7631 and certain blocks of streets that intersect that portion of Germantown Avenue.

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 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 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.

MT. AIRY IMPROVEMENT DISTRICT, INC.  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR DECEMBER 31, 2018

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, 2019 and 2018.

Capital Assets

Capital assets, which consist of equipment, are reported in the financial statements. All capital 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. Capital assets of the District are depreciated using the straight-line method over the useful lives of the assets.

The following is a summary of the capital assets:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 60,503	\$ 50,562
Accumulated depreciation	<u>(35,076)</u>	<u>(30,633)</u>
Net	<u>\$ 25,427</u>	<u>\$ 19,928</u>

Assessment

The boundary of the District includes all commercial properties taxable for real estate purposes on both sides of Germantown Avenue from 6300 to 7631 plus those commercial properties on certain blocks of streets that intersect that portion of Germantown Avenue. 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. The Board of Directors may reduce the billing amount used in this calculation. District assessments will be calculated annually using the most recent certified values provided by the City of Philadelphia Office of Property Assessment.

The Philadelphia ordinance bill number 170406 extended the BID until 2022 and adopted a five year budget with maximum billing amounts as follows:

2018	\$206,788
2019	\$215,060
2020	\$223,662
2021	\$232,609
2022	\$241,913

MT. AIRY IMPROVEMENT DISTRICT, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR DECEMBER 31, 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessment (Continued)

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.

During the years ended December 31, 2019 and 2018, the District also received \$1,359 and \$2,575, respectively, of voluntary assessments from exempt property owners.

The District uses the allowance method in determining accounts receivable. Management annually accrues an appropriate percentage as an allowance. For 2019, management did not deem it necessary to accrue an allowance. The allowance recorded as of December 31, 2019 and 2018 on accounts deemed uncollectible was \$64,418 and \$64,643, respectively. Periodically, management reviews the accounts receivable aging to determine its adequacy.

The District legally has the right to lien properties located with 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 December 1<sup>st</sup> of each fiscal year. As of December 31, 2019, the District has filed liens against delinquent properties.

Deferred Revenue

Deferred revenue represents funds billed for future periods. The District has deferred revenue balance of \$214,596 and \$204,829 as of December 31, 2019 and 2018, respectively.

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 depreciation 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 and the type of fixed assets.

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.

MT. AIRY IMPROVEMENT DISTRICT, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR DECEMBER 31, 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

The District was established as a Pennsylvania Not-For-Profit Corporation, incorporated on November 22, 2006. The District operates as a neighborhood Improvement District. Therefore, it is exempt from income taxes.

Prior-Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Subsequent Events

Management has evaluated events or transactions that have occurred after December 31, 2019 (the financial statements date) through March 10, 2020, 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, 2019 and 2018, the District's uninsured cash balance was \$74,669 and \$39,832, respectively.

Note 3 LEASE COMMITMENT

The District leases its office on a month-to month-basis. Total rent expenses for each of the years ended December 31, 2019 and 2018 was \$5,580.

MT. AIRY IMPROVEMENT DISTRICT, INC.  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR DECEMBER 31, 2018

Note 4 Net Assets Without Donor Restrictions

Net assets without donor restrictions was \$209,183 and \$219,728 as of December 31, 2019 and 2018, respectively.

Note 5 Net Assets With Donor Restrictions

The District had no net assets with donor restrictions as of December 31, 2019 and 2018.

Note 6 Liquidity

Financial assets available for general expenditure within one year are as follows as of December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Cash	\$322,994	\$290,157
Accounts payable, net of allowance of doubtful accounts	<u>77,367</u>	<u>129,029</u>
Total	<u>\$400,361</u>	<u>\$419,186</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 \$43,000 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.