

MT. AIRY IMPROVEMENT DISTRICT, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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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, 2018, and the related statement 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived

Philadelphia, Pennsylvania
February 15, 2019

MT. AIRY IMPROVEMENT DISTRICT, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$290,157	\$118,939
Accounts receivable, net of allowance for doubtful accounts	129,029	360,837
Prepaid expenses	<u>6,733</u>	<u>7,990</u>
Total current assets	<u>425,919</u>	<u>487,766</u>
Fixed assets:		
Equipment, net of accumulated depreciation	<u>19,928</u>	<u>23,662</u>
Total assets	<u>\$445,847</u>	<u>\$511,428</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 11,203	\$ 12,905
Deferred revenue	204,829	191,371
Current portion of lease payable	<u>10,087</u>	<u>8,108</u>
Total current liabilities	<u>226,119</u>	<u>212,384</u>
Long-term liabilities:		
Lease payable	<u>-0-</u>	<u>10,087</u>
Total long-term liabilities	<u>-0-</u>	<u>10,087</u>
Total liabilities	<u>226,119</u>	<u>222,471</u>
Net assets:		
Net assets, without donor restrictions	219,728	288,957
Net assets, with donor restrictions	<u>-0-</u>	<u>-0-</u>
Total net assets	<u>219,728</u>	<u>288,957</u>
Total liabilities and net assets	<u>\$445,847</u>	<u>\$511,428</u>

See accompanying notes to financial statements

MT. AIRY IMPROVEMENT DISTRICT, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Assessments	\$191,371		\$191,371	\$179,053
Fees and penalties	23,819		23,819	1,237
Settlement income				240,418
Non-profit contributions	2,575		2,575	7,959
Grant income	10,000		10,000	9,900
Interest income	759		759	174
Other income	250	\$ -0-	250	-0-
Total Support and Revenue	<u>228,774</u>	<u>-0-</u>	<u>228,774</u>	<u>438,741</u>
Expenditures:				
Program	247,774		247,774	156,685
Administrative and support	50,229		50,229	53,114
Fundraising	-0-	-0-	-0-	-0-
Total Expenditures	<u>298,003</u>	<u>-0-</u>	<u>298,003</u>	<u>209,799</u>
Increase (Decrease) in Net Assets	(69,229)		(69,229)	228,942
Net Assets, at beginning of year	<u>288,957</u>	<u>-0-</u>	<u>288,957</u>	<u>60,015</u>
Net Assets, at end of year	<u>\$219,728</u>	<u>\$ -0-</u>	<u>\$219,728</u>	<u>\$288,957</u>

See accompanying notes to financial statements

MT. AIRY IMPROVEMENT DISTRICT, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$(69,229)	\$228,942
Adjustments to reconcile increase (decrease) in net assets to net cash (used) by operating activities:		
Depreciation	3,733	2,129
Bad debts	10,241	9,569
(Increase) decrease in assets:		
Accounts receivable	221,567	(284,735)
Prepaid expenses	1,257	(550)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,701)	5,021
Deferred revenue	13,458	12,319
Net cash provided (used) by operating activities	<u>179,326</u>	<u>(27,305)</u>
Cash flows from investing activities:		
Purchase of equipment and improvements	<u>-0-</u>	<u>(25,359)</u>
Net cash used by investing activities	<u>-0-</u>	<u>(25,359)</u>
Cash flows from financing activities:		
Equipment lease payments	<u>(8,108)</u>	<u>18,195</u>
Net cash used by financing activities	<u>(8,108)</u>	<u>18,195</u>
Net increase (decrease) in cash	171,218	(34,469)
Cash, beginning of year	<u>118,939</u>	<u>153,408</u>
Cash, end of year	<u>\$290,157</u>	<u>\$118,939</u>
Supplemental disclosures:		
Interest paid	<u>\$ 864</u>	<u>\$ 1,078</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 YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017	
	Program	Supporting		Total	Total
		Administrative	Fundraising		
Accounting		\$ 4,000	\$ -0-	\$ 4,000	\$ 4,000
Bad debts		10,241		10,241	9,569
Bank service charges		10		10	
Beautification	1,855			1,855	2,733
Bookkeeping		1,975		1,975	1,880
Cleaning	16,300			16,300	11,552
D&O insurance		1,777		1,777	1,275
Depreciation	3,513	220		3,733	2,129
Dues and subscriptions		43		43	155
General liability insurance		5,757		5,757	8,043
Greening	10,605			10,605	10,334
Interest expense		864		864	1,078
Legal collections/lien fillings	13,704			13,704	12,031
Marketing and communications	418			418	370
Meetings	1,752			1,752	288
Office expenses		2,184		2,184	1,173
Other					5,837
Payroll processing fees	983			983	1,110
Payroll taxes	8,653	1,705		10,358	8,765
Professional fees					2,088
Rent		5,580		5,580	5,115
Salaries	91,973	11,250		103,223	78,787
Special projects	98,018			98,018	36,210
Taxes - Sales/Use/Rental		717		717	747
Telephone and internet		857		857	1,659
Travel		134		134	206
Workers' compensation	-0-	2,915	-0-	2,915	2,665
Total expenses	<u>\$247,774</u>	<u>\$ 50,229</u>	<u>\$ -0-</u>	<u>\$ 50,229</u>	<u>\$298,003</u>
				<u>\$298,003</u>	<u>\$209,799</u>

See accompanying notes to financial statements

MT. AIRY IMPROVEMENT DISTRICT, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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 Accounting

The financial statements of the District have been prepared on the accrual basis of accounting.

Cash

Cash includes amounts on deposit in checking and money market saving accounts. The District had no donor restricted cash as of December 31, 2018 and 2017.

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>2018</u>	<u>2017</u>
Equipment	\$ 50,562	\$ 50,562
Accumulated depreciation	<u>(30,633)</u>	<u>(26,900)</u>
Net	<u>\$ 19,928</u>	<u>\$ 23,662</u>

MT. AIRY IMPROVEMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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 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

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, 2018 and 2017, the District also received \$2,575 and \$7,959, respectively, of voluntary assessments from exempt property owners.

The District uses the allowance method in determining accounts receivable. Management annually accrues 5% as an allowance. The allowance recorded as of December 31, 2018 and 2017 on accounts deemed uncollectible was \$64,643 and \$54,401, 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 1st of each fiscal year. As of December 31, 2018, 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 \$204,829 and \$191,371 as of December 31, 2018 and 2017, respectively.

MT. AIRY IMPROVEMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 program or supporting functions. Those expenses include salaries 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.

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.

Subsequent Events

Management has evaluated events or transactions that have occurred after December 31, 2018 (the financial statements date) through February 7, 2019, the date 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, 2018 and 2017, the District's uninsured cash balance was \$39,832 and \$-0-, respectively.

Note 3 LEASE COMMITMENT

The District leases its office from a related not for profit entity on a month-to-month-basis. Total rent expenses for the years ended December 31, 2018 and 2017 was \$5,580 and \$5,115, respectively.

MT. AIRY IMPROVEMENT DISTRICT, INC.
 NOTES TO FINANCIAL STATEMENTS (Continued)
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 4 SIGNIFICANT EVENTS - SETTLEMENT

In December 2017, the BID came to a settlement with the owner of 6445-55 Germantown Avenue, who had represented itself as a non-profit not subject to BID fees. The settlement agreement stated that the owner make the following payments to settle the years 2009-2017, a lump sum payment of \$200,000 and 36 monthly payments of \$1,928.25 beginning January 1, 2018 and ending December 31, 2020. Should the owner fail to make timely payments the balance will become immediately due and interest will accrue at a rate of 1% per month. The BID had become aware of this issue and had billed the owner \$28,999.38 for 2017 taxes and will bill the owner for 2018 assessments. Accordingly, the BID recorded settlement income as calculated below:

Lump sum payment	\$200,000
36 monthly payments \$1,928.25	\$ 69,417
	<u>\$269,417</u>
Less amounts billed for 2017	\$(28,999)
Settlement income	<u>\$240,418</u>

Note 5 Not-for-Profit Financial Statement Presentation

The District adopted ASU No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include presentation of two classes of net assets versus the previously required three and enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2016 follows:

	<u>ASU 2016-14 Classifications</u>		Total Net Assets
	Without Donor Restrictions	With donor Restrictions	
Net Assets Classification			
As previously presented:			
Unrestricted	\$60,015	\$ -0-	\$60,015
Temporarily restricted			
Permanently restricted	-0-	-0-	-0-
Net assets as previously presented	<u>\$60,015</u>	<u>\$ -0-</u>	<u>\$60,015</u>

Note 6 Net Assets Without Donor Restrictions

Net assets without donor restriction was \$219,728 and \$288,957 as of December 31, 2018 and 2017, respectively.

MT. AIRY IMPROVEMENT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7 Net Assets With Donor Restrictions

The District had no net assets with donor restrictions as of December 31, 2018 and 2017.

Note 8 Liquidity

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

Cash	<u>\$290,157</u>
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