

MT. AIRY BUSINESS IMPROVEMENT DISTRICT  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

**JOHN E. McGOVERN & ASSOCIATES, P.C.**  
*Certified Public Accountant*

MT. AIRY BUSINESS IMPROVEMENT DISTRICT  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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# JOHN E. McGOVERN & ASSOCIATES, P.C.

*Certified Public Accountant*

## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of  
Mt. Airy Business Improvement District  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Mt. Airy Business Improvement District (a Pennsylvania Not-For-Profit Corporation) (the "District"), which comprise the statements of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, and cash flows 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.

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# JOHN E. McGOVERN & ASSOCIATES, P.C.

*Certified Public Accountant*

## 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 2016 financial statements referred to above present fairly, in all material respects, the financial position of Mt. Airy Business Improvement District as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### PRIOR PERIOD FINANCIAL STATEMENTS

The financial statements of Mt. Airy Business Improvement District as of December 31, 2015, were audited by other auditors whose report dated December 9, 2016, expressed an unmodified opinion on those statements. The report did not include a statement of cash flows which has been presented for comparative purposes.



Philadelphia, Pennsylvania  
January 31, 2018

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MT. AIRY BUSINESS IMPROVEMENT DISTRICT  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
Support and Revenue:				
Assessments	\$ 149,067		\$ 149,067	\$ 162,027
Voluntary assessments	10,210		10,210	9,160
Grant reimbursements	18,250		18,250	8,375
Other income	<u>949</u>	<u>\$ -0-</u>	<u>949</u>	<u>902</u>
Total Support and Revenue	<u>178,476</u>	<u>-0-</u>	<u>178,476</u>	<u>180,464</u>
Expenditures:				
Payroll	85,911		85,911	71,302
Payroll taxes	9,384		9,384	8,980
Administrative and support Program	48,254		48,254	52,426
	<u>44,453</u>	<u>-0-</u>	<u>44,453</u>	<u>30,661</u>
Total Expenditures	<u>188,002</u>	<u>-0-</u>	<u>188,002</u>	<u>163,369</u>
Increase (Decrease) in Net Assets	<u>(9,526)</u>	<u>-0-</u>	<u>(9,526)</u>	<u>17,095</u>
Net Assets, at beginning of year	<u>60,273</u>	<u>-0-</u>	<u>60,273</u>	<u>43,178</u>
Net Assets at end of year	<u>\$ 50,747</u>	<u>\$ -0-</u>	<u>\$ 50,747</u>	<u>\$ 60,273</u>

See accompanying notes to financial statements



MT. AIRY BUSINESS IMPROVEMENT DISTRICT  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (9,526)	\$ 17,095
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	269	940
(Increase)/decrease in operating assets		
Accounts receivable	(25,637)	10,867
Prepaid expenses	(4,231)	1,622
Increase/(decrease) in operating assets		
Accounts payable	(9,304)	4,036
Deferred revenue	<u>35,010</u>	<u>(5,860)</u>
Net cash provided by operating activities	<u>(13,419)</u>	<u>28,700</u>
 Cash flows from investing activities:		
Purchase of equipment and improvements	<u>(465)</u>	<u>-0-</u>
Net cash used by investing activities	<u>(465)</u>	<u>-0-</u>
 Cash flows from financing activities	<u>-0-</u>	<u>-0-</u>
Net cash provided by financing activities	<u>-0-</u>	<u>-0-</u>
 Net increase (decrease) in cash and cash equivalents	(13,884)	28,700
Beginning cash and cash equivalents	<u>167,292</u>	<u>138,592</u>
Ending cash and cash equivalents	<u>\$ 153,408</u>	<u>\$ 167,292</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

MT. AIRY BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Mt. Airy Improvement District, Inc. T/A the Mt. Airy Business Improvement District (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 government unit. 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 terminate on December 31, 2017. City of Philadelphia ordinance 170406 extended the sunset of the BID until December 31, 2022.

Basis of Accounting

The financial statements of the District have been prepared on the modified accrual basis of accounting. Assessment revenue is recognized when collected. Expenditures generally recorded when a liability is incurred, as under accrual accounting.

Cash Equivalents

For the purposes of the statement of cash flows, the District considers all short-term equivalents with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The District does not possess any infrastructure or improvements. 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 estimated useful life for equipment is seven years.

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 government unit therefore it is not subject to income taxes.

MT. AIRY BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Assessments and Revenue Recognition

Assessments are levied on or about October 15<sup>th</sup> on the District's assessed value listed for all real estate located in the District. Property assessments are recorded as receivables and deferred revenue at the time the assessment is billed. Revenue is recognized as the related property assessments are collected.

During the year ended December 31, 2016, the District also received \$10,210 of voluntary assessments from exempt property owners.

The District uses the allowance method in determining accounts receivable. The allowance recorded as of December 31, 2016 on accounts deemed uncollectible was \$71,569.

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, 2015, the District has filed liens against delinquent properties. No liens were filed in 2016.

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. The District believes it is not exposed to any significant credit risk on its cash.

Note 3 PROPERTY AND EQUIPMENT

Assets are stated at cost. The cost of the equipment and improvements is depreciated over the estimated useful lives of the related assets on a straight-line basis.

The following is a summary of the property and equipment:

Equipment	\$ 25,203
Accumulated depreciation	<u>(24,771)</u>
Net	<u>\$ 432</u>

Depreciation expense for the year ended December 31, 2016 was \$269.

Note 4 INVESTMENTS

Investments in marketable securities are reported at their fair value in the statement of financial position pursuant to FASB ASC 820 Fair Value Measurements and Disclosures (formerly SFAS No. 157). Fair value is defined as the price that the Organization would receive to sell an investment with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market. FASB ASC 820 establishes a three-tier hierarchy based on quoted prices in the active markets (Level 1), other observable inputs (Level 2), or unobservable inputs (Level 3).



MT. AIRY BUSINESS IMPROVEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 4 INVESTMENTS (Continued)

At December 31, 2016, marketable securities consisting of common stock are all at Level 1.

Note 5 RELATED PARTY TRANSACTION

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 year ended December 31, 2016 was \$6,280.

Note 6 ADMINISTRATIVE AND SUPPORT EXPENSES

During Fiscal 2016 and 2015 the Organization incurred the following Administrative and Support expenses:

	<u>2016</u>	<u>2015</u>
Accounting	\$4,000	\$6,017
Auto		500
Bad Debt	8,997	12,560
Bank service charges	51	17
Banners		3,951
Bookkeeping	2,449	
D&O Insurance	1,275	
Depreciation	269	940
Dues and subscriptions	914	
Employee health insurance	11,589	11,567
General liability insurance	2,002	1,704
Gifts		372
Lien filings	15	
Marketing and communications	1,466	
Office expenses	816	4,035
Payroll processing fees	1,082	
Rent	6,280	4,200
Repairs and maintenance		1,534
Telephone and internet	1,643	1,795
Training		285
Travel	49	26
Uniforms		5
Workers' compensation	5,357	2,918
	<u>\$48,254</u>	<u>\$52,426</u>

MT. AIRY BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 7 PROGRAM EXPENSES

During Fiscal 2016 the Organization incurred the following Direct Program expenses:

Cleaning	\$10,434
Greening	19,650
Beautification	6,670
Special Projects	<u>7,699</u>
	<u>\$44,453</u>

Note 8 INSURANCE EXPENSES

During Fiscal 2016 the Organization incurred the following expenses:

Directors and officers	\$ 1,275
General Building	2,002
Workers Compensation	5,357
Health Insurance	<u>11,589</u>
	<u>\$20,223</u>

Note 9 SUBSEQUENT EVENTS

Management has evaluated events or transactions that have occurred after December 31, 2016 (the financial statements date) through January 31, 2018, the date the report was available to be issued. During this period, management did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.