

**WEST CHESTER BUSINESS IMPROVEMENT DISTRICT
AUTHORITY**

FINANCIAL STATEMENTS

Year Ended December 31, 2019



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
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YEAR ENDED DECEMBER 31, 2019

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
West Chester Business Improvement District Authority
West Chester, Pennsylvania

We have audited the accompanying financial statements of the West Chester Business Improvement District Authority, which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

West Chester Business Improvement District Authority's 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.

Auditors' 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 auditors' 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
West Chester Business Improvement District Authority
West Chester, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Chester Business Improvement District Authority as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter

As discussed in Note I, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the West Chester Business Improvement District Authority's operational and financial performance. At this point, the West Chester Business Improvement District Authority cannot reasonably estimate the impact on its operations or financial results. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Maille LLP

West Chester, Pennsylvania
July 6, 2020

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

Our discussion and analysis of the West Chester Business Improvement District Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Authority's financial statements, which begin with the statement of net position.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities by \$39,652 (net position).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Authority. The components of the report include the independent auditors' report, management's discussion and analysis, financial statements and notes to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Authority's financial position.

Management's discussion and analysis (MD&A), prepared by management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and the notes to the basic financial statements.

- The *statement of net position* shows the financial condition of the Authority at the end of the fiscal period or a specific snapshot in time.
- The *statement of revenues, expenses and changes in net position* measures the results of operations of the Authority during the fiscal period.
- The *statement of cash flows* shows cash flows from operating and investing activities for the period.
- The *notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Authority's financial condition.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

REPORTING

As stated in Note A of the notes to the basic financial statements, the West Chester Business Improvement District Authority was incorporated to provide oversight responsibility of the economic development activities that affect the central business district of the Borough of West Chester. A 15-member board selected by the West Chester Borough Council governs the Authority.

The assets (\$63,342) of the Authority are comprised of cash (66%), receivables (33%), and property and equipment (1%). Accumulated depreciation reflects 94% of capital assets.

The Authority's concise statements of net position at December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 41,735	\$ 110,308
Receivables	20,835	23,239
Property and equipment, net	<u>771</u>	<u>1,348</u>
TOTAL ASSETS	<u>63,341</u>	<u>134,895</u>
LIABILITIES		
	<u>23,689</u>	<u>83,566</u>
NET POSITION		
Net investment in capital assets	771	1,348
Unrestricted	<u>38,881</u>	<u>49,981</u>
TOTAL NET POSITION	<u>\$ 39,652</u>	<u>\$ 51,329</u>

Net position (\$39,652) of the Authority includes \$771 invested in capital assets and \$38,881 of unrestricted net position. Net position decreased \$11,677 in 2019, as total expenses (\$423,889) exceeded total revenues (\$412,212).

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

The Authority's concise statements of revenues, expenses and changes in net position for the years ended December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
REVENUES		
Property assessments	\$ 312,212	\$ 315,378
Local grants	100,000	100,000
Miscellaneous income	-	14,981
TOTAL REVENUES	<u>412,212</u>	<u>430,359</u>
EXPENSES		
Administration	46,109	44,983
Office operations	145,925	142,104
Advocacy	152,968	147,788
Projects	62,687	91,098
Depreciation	577	653
Payroll expenses	15,623	15,658
TOTAL EXPENSES	<u>423,889</u>	<u>442,284</u>
CHANGE IN NET POSITION	<u>\$ (11,677)</u>	<u>\$ (11,925)</u>

The Authority's revenues (\$412,212) are derived primarily through property assessments and fees, and annual contributions from the Borough of West Chester and the West Chester Downtown Foundation.

Property Assessments

Property assessment revenue and fees were \$3,166 lower than in FY2018. The decrease resulted from less benefited properties being added to the rolls. The BID assessment revenue is based on millage rate of 3.0 applied against the commercially-assessed properties in the District. Using current Chester County Government data, the assessed value of a property is adjusted to exclude the portion that may be used for residential purposes. The commercial property assessment decreased from \$315,378 in 2018 to \$309,418 in 2019.

Borough Allocation

The Borough of West Chester makes an annual allocation to the BID from its general fund. The allocation amount (\$85,000) has not changed since 2004.

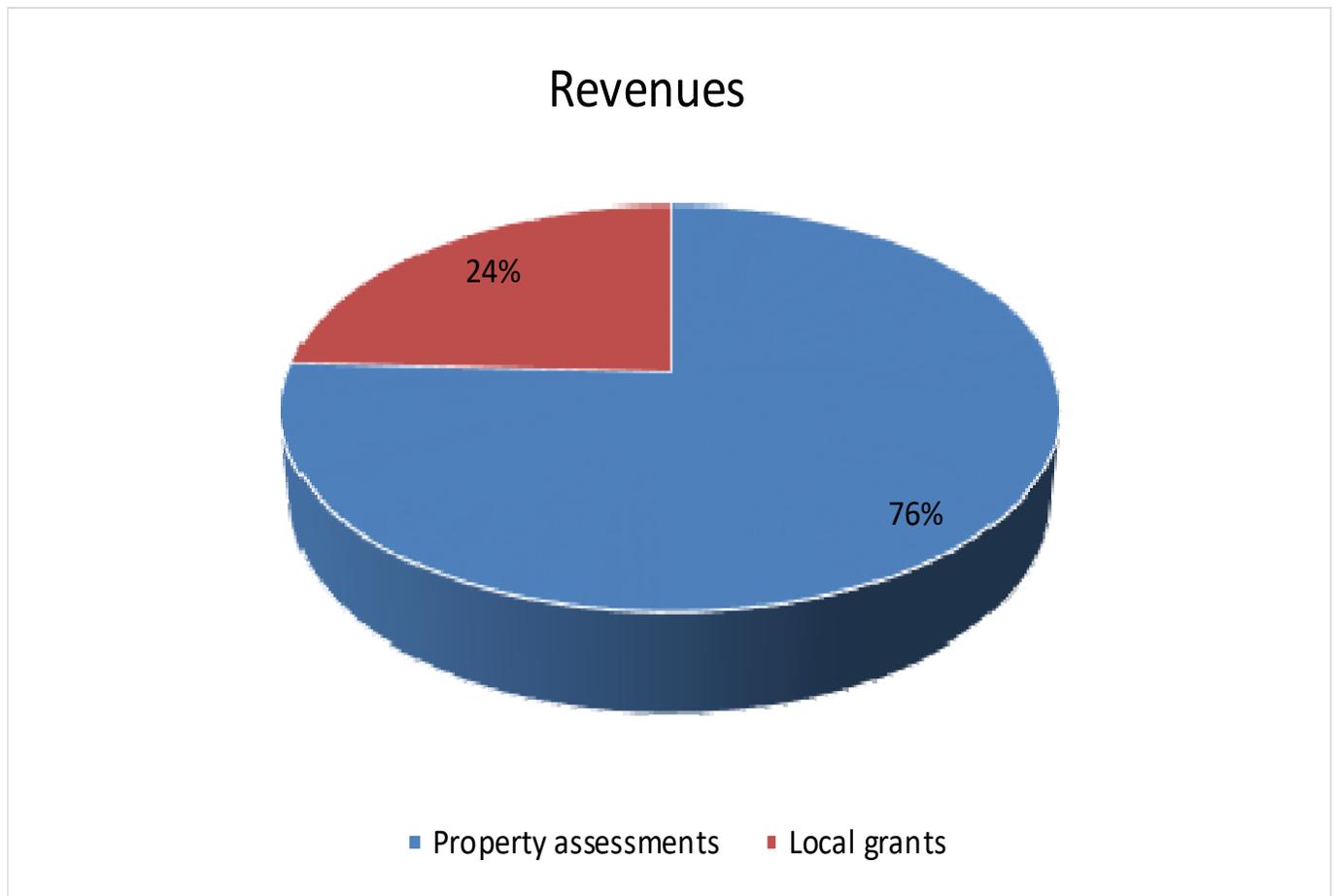
Grants

Grants received were \$15,000 from the West Chester Downtown Foundation for assistance with the flower beautification and street cleaning programs.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

Revenue by Source

	<u>2019 Revenue</u>	<u>% of Total</u>	<u>Inc / (Dec) From 2018</u>	<u>% of Inc / (Dec) From 2018</u>
Property assessments	\$ 312,212	75.74%	\$ (3,166)	-2.46%
Local grants	<u>100,000</u>	<u>24.26%</u>	<u>-</u>	<u>0.00%</u>
	<u>\$ 412,212</u>	<u>100.00%</u>	<u>\$ (3,166)</u>	



EXPENDITURES

BID expenditures of \$423,889 fall into four major categories: Administration (\$62,309), Office Operations (\$145,925), Advocacy (\$152,968), and Program Services (\$62,687).

Administration

The BID Administrative Expense covers the costs of the Office Administrator and payroll expenses (processing and BID payroll taxes). The increase in costs over last year (\$1,015) was due to an increase in salary and benefits.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

Office Operations

BID Office Operations includes all the normal costs related to the operation of the BID office (rent, utilities, postage, printing, etc.) plus other expenses such as Directors' insurance, auditing and legal fees, travel, and entertaining expenses.

Program Services

Program Services (Projects) costs represent major marketing and promotional activities. These expenses decreased (\$28,411) from FY2018.

The "Swing in' Summer Thursday" program is an on-going successful joint project with the Borough's Recreation Department. The BID assumes costs for police coverage and promotional banners. Program costs for FY2019 were about the same as FY2018.

Advocacy

Advocacy includes the salary and benefits expenses of the Executive Director (\$121,385) along with costs of major projects such as the Clean & Green Program (\$29,560). Total Advocacy cost in FY2019 increased \$5,180 from FY2018, as further explained below.

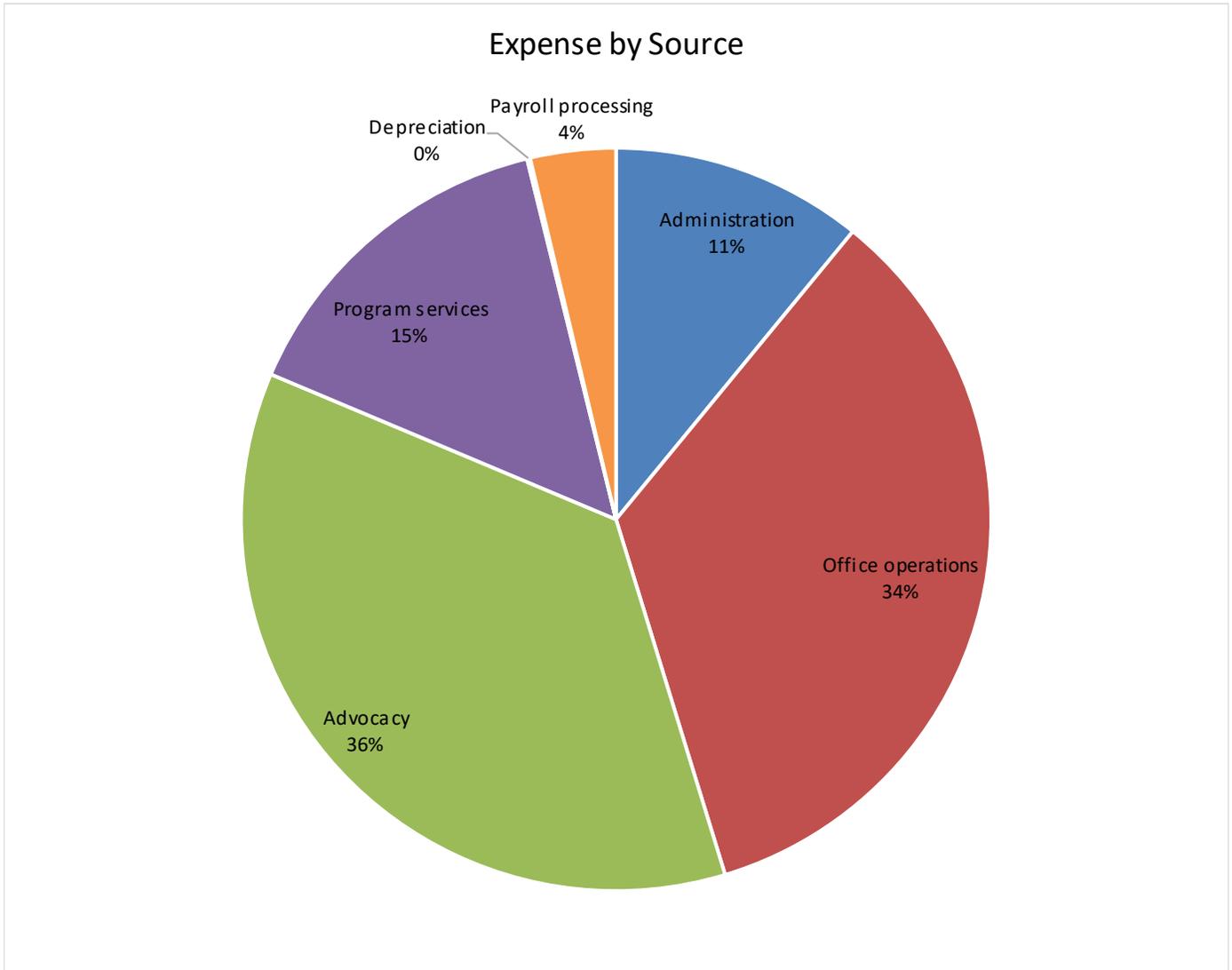
Salary expenses for the Executive Director increased \$2,438 compared to the prior year, reflecting an annual salary increase.

The Clean & Green program ensures the periodic planting and upkeep of several flower and shrubbery beds located within the BID district as well as sidewalk cleaning. Costs in FY2019 were \$3,144 greater than in the previous year, reflecting a landscaping contract increase as well as adding the sidewalk cleaning program.

Expenses by Source

	2019	% of	Inc / (Dec)	% of
<u>Combined Expenses</u>	<u>Expenses</u>	<u>Total</u>	<u>From 2018</u>	<u>From 2018</u>
Administration	\$ 46,109	10.88%	\$ 1,126	2.50%
Office operations	145,925	34.43%	3,821	2.69%
Advocacy	152,968	36.08%	5,180	3.51%
Program services	62,687	14.79%	(28,411)	-31.19%
Depreciation	577	0.14%	(76)	-11.64%
Payroll processing	15,623	3.68%	(35)	-0.22%
	<u>\$ 423,889</u>	<u>100.00%</u>	<u>\$ (18,395)</u>	

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019



THE FUTURE OF THE BID

BID revenues increased in 2018 as total assessed value of benefitted properties increased to provide a total BID assessment increase of \$22,061.78 after mixed use adjustment. For 2018 no new properties were added to the benefitted properties list. One property was retired from the benefitted property list in 2018.

Due in part by the BID's Main Street Designation that was recognized by the Pennsylvania Department of Community & Economic Development, a \$200,000 grant-to-loan was awarded to the Borough of West Chester expressly for repurposing the West Chester Armory into a theater complex. It opened successfully at the end of 2016 as the Uptown! Knauer Performing Arts Center.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

In 2019, the BID will continue its program to clean, beautify, and market the commercial district in downtown West Chester so area businesses are more successful, commercial properties are more valuable, and residents and visitors can enjoy the benefits of a vibrant community. Further, the BID will continue to advocate for its constituents (both business and property owners) before Local, State and National Governments. West Chester ranked first among 969 Pennsylvania Boroughs in population growth (numeric gains) with an 8.7% growth rate between 2017 and 2018 (PA State Data Center, May 2018). This was demonstrated in part by the opening of two new apartment complexes at Chestnut Square and 124 Marketplace, bringing the total number of new market-rate apartments in the downtown to 353. Other major programs of the BID will be supporting the US Postal Services plan to divest the USPS of West Chester's historical Post Office, and a new hotel & retail complex planned for opening sometime in the future.

The BID has a significant positive impact on commercial property values in West Chester. On average, the value of commercial property within the BID increases by approximately 15 percentage points more than comparable properties in the same neighborhood but outside of the BID. Over the fifteen-year life of the BID, the sale value of benefited properties has increased approximately 2.5 times, on both a dollars/square foot basis and assessed value basis. In 2015, the BID was re-authorized for another five-year period with no objections from property or business owners.

In March 2020, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to impact the BID's operations including assessment collections. While the BID cannot predict the full economic impact at this time, we recognize that there will be a likely reduction of income and also expect to see a reduction in certain expenditures as well. Because of the unanticipated negative impacts of COVID-19 on revenue income sources, continual analysis and close monitoring of all operating expenditures will be required by management and all department heads to ensure that each department operates within their respective budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives and disburses. If you have questions about this report or need additional information, please contact the West Chester Business Improvement District Authority, 137 N. High Street, West Chester, PA 19380.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	41,735
Accounts receivable		20,493
Grants receivable		342
TOTAL CURRENT ASSETS		<u>62,570</u>

PROPERTY AND EQUIPMENT

Furniture and equipment		13,648
Accumulated depreciation		<u>(12,877)</u>
FURNITURE AND EQUIPMENT, net of accumulated depreciation		<u>771</u>

TOTAL ASSETS 63,341

LIABILITIES

CURRENT LIABILITIES

Accounts payable		9,503
Other current liabilities		<u>14,186</u>
TOTAL CURRENT LIABILITIES		<u>23,689</u>

NET POSITION

Net investment in capital assets		771
Unrestricted		<u>38,881</u>

TOTAL NET POSITION \$ 39,652

See accompanying notes to the basic financial statements.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUES	
Charges for services	\$ <u>312,212</u>
OPERATING EXPENSES	
Administrative and general	207,657
Advocacy	152,968
Projects	62,687
Depreciation	<u>577</u>
TOTAL OPERATING EXPENSES	<u>423,889</u>
OPERATING LOSS	(111,677)
NONOPERATING INCOME (EXPENSES)	
Local grants	<u>100,000</u>
CHANGE IN NET POSITION	(11,677)
NET POSITION AT BEGINNING OF YEAR	<u>51,329</u>
NET POSITION AT END OF YEAR	<u><u>\$ 39,652</u></u>

See accompanying notes to the basic financial statements.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Other program revenues received	\$ 314,615
Payments to employees and vendors	(483,188)
NET CASH USED BY OPERATING ACTIVITIES	<u>(168,573)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Local grants	<u>100,000</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS (68,573)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 110,308

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 41,735

RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH USED BY OPERATING ACTIVITIES

Loss from operations	\$ (111,677)
Adjustments to reconcile change in net position to net cash used by operating activities	
Depreciation	577
Decrease in receivables	2,403
(Decrease) in accounts payable	(59,839)
(Decrease) in accrued expenses	<u>(37)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ (168,573)

See accompanying notes to the basic financial statements.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Chester Business Improvement District Authority, Chester County, Pennsylvania (the BID) conform to United States of America generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

Reporting Entity

The West Chester Business Improvement District Authority is a municipal authority which has oversight responsibility of the economic development activities that affect the central business district of the Borough of West Chester. The BID receives funding from an annual assessment equitably shared by all commercial properties in the district. The assessment rate is calculated as .003 of assessed value of the commercial portion of the property. All of the funds collected go toward programs of the BID. The BID is governed by a 15-member Board of Directors made up of downtown business and property owners that are selected by the West Chester Borough Council.

Basis of Accounting

All the activities of the BID are accounted for within a single enterprise fund. Enterprise funds are used to account for activities similar to those in the private sector where the determination of net income is necessary for sound financial administration. Enterprise funds distinguish operating revenues and expenses from non-operating items. The Authority's financial statements are prepared on the accrual basis of accounting.

The BID's accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The BID uses the following fund types in its activities:

Operating Fund - The Operating Fund is maintained for transactions related to the BID's operating revenues and expenses.

The financial statements are prepared using a flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred regardless of the timing of the related cash flows. All assets and all liabilities associated with the operation of the BID are included on the statement of net position.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and no restriction on withdrawal. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Revenues-Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the BID, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the BID receives value without directly giving equal in return, include property assessments, grants, entitlements, and donations. On the accrual basis, revenue from property assessments is recognized in the fiscal year which the assessments are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the BID must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the BID on a reimbursement basis.

Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

For Enterprise Funds all capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The BID maintains a capitalization threshold of \$500. The BID does not have any infrastructure.

All capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and fixtures	7 years
Equipment	5 years

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the financial statements. In general, payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full, from current financial resources are reported as obligations.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Assessment

Assessments are attached as an enforceable lien on the property as of December 31. Assessments are levied on the following periods:

Flat Period	June 1 to July 31
Penalty Period	July 31 to Collection - 5% of Gross Levy

NOTE B - CURRENT YEAR REGULAR ASSESSMENT

Assessment valuation, adjusted by authorized revisions	\$ 131,090,270
Approved assessment rate in mills	x .00300
	<hr/>
Gross levy	393,271
	<hr/>
Deductions: Adjustments for mixed-use discount	83,853
Uncollected at December 31	20,493
	<hr/>
Net current year regular BID assessments collected	\$ <u><u>288,925</u></u>

NOTE C - CASH

The BID's cash and cash investments consist of deposits with financial institutions.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the BID's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The BID does not have a deposit policy for custodial credit risk. As of December 31, 2019, none of the BID's bank balance of \$41,153 was exposed to custodial credit risk.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE D - PROPERTY AND EQUIPMENT

Furniture and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of 5 to 7 years. Donated assets are reported at estimated fair value at the time of the donation.

Capital asset activity for the year ended December 31, 2019, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
PROPERTY AND EQUIPMENT BEING DEPRECIATED				
Furniture	\$ 4,927	\$ -	\$ -	\$ 4,927
Computers	<u>8,721</u>	<u>-</u>	<u>-</u>	<u>8,721</u>
TOTAL PROPERTY AND EQUIPMENT BEING DEPRECIATED	<u>13,648</u>	<u>-</u>	<u>-</u>	<u>13,648</u>
Accumulated depreciation				
Furniture	(4,927)	-	-	(4,927)
Computers	<u>(7,373)</u>	<u>(577)</u>	<u>-</u>	<u>(7,950)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(12,300)</u>	<u>(577)</u>	<u>-</u>	<u>(12,877)</u>
PROPERTY AND EQUIPMENT, net	<u>\$ 1,348</u>	<u>\$ (577)</u>	<u>\$ -</u>	<u>\$ 771</u>

Depreciation expense for 2019 was \$577.

NOTE E - OPERATING LEASES

The BID leases office space for its operations. The BID signed a 5-year lease for office space at \$24,670 per year expiring on December 31, 2020. Rent expense for 2019 was \$25,164.

The BID leases certain office equipment under operating leases through 2021. Lease expense for the year ended December 31, 2019, was \$1,261.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE F - RETIREMENT PLAN

Employees of the BID may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the BID. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated insurance and annuity company. For the year ended December 31, 2019, the BID contributed \$3,465 (2% matching benefit) to the plan.

NOTE G - COMMITMENTS AND CONTINGENCIES

The BID receives a substantial amount of its support from local and state governments. If a significant reduction in the level of this support were to occur, such a reduction may have an effect on the BID's programs and activities.

In 2019, West Chester Borough contributed \$85,000 to the BID, and another entity contributed \$15,000 to the BID.

NOTE H - RELATED PARTY TRANSACTIONS

A member of the board is the executive director of the organization from which the BID leases office space. Lease expense for the office space was \$25,164 in 2019. A member of the board was an officer for the bank where the BID maintains bank accounts.

NOTE I - SUBSEQUENT EVENTS

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of BID operations, including collection of assessments. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. Overall, decreased funding could result in supporting entities having to curtail funding to the BID.