

**WEST CHESTER BUSINESS IMPROVEMENT DISTRICT
AUTHORITY**

FINANCIAL STATEMENTS

Year Ended December 31, 2020

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INTRODUCTORY SECTION

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WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
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YEAR ENDED DECEMBER 31, 2020

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FINANCIAL SECTION

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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, 2020, 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, 2020, 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).

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.

West Chester, Pennsylvania
April XX, 2021

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 \$71,882 (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, 2020

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 (\$124,218) of the Authority are comprised of cash (78%), receivables (21%), and property and equipment (1%). Accumulated depreciation reflects 98% of capital assets.

The Authority's concise statements of net position at December 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 97,438	\$ 41,735
Receivables	26,435	20,835
Property and equipment, net	345	771
TOTAL ASSETS	<u>124,218</u>	<u>63,341</u>
LIABILITIES		
	<u>52,336</u>	<u>23,689</u>
NET POSITION		
Net investment in capital assets	345	771
Unrestricted	<u>71,537</u>	<u>38,881</u>
TOTAL NET POSITION	<u>\$ 71,882</u>	<u>\$ 39,652</u>

Net position (\$71,882) of the Authority includes \$345 invested in capital assets and \$71,537 of unrestricted net position. Net position increased \$32,230 in 2020, as total expenses (\$413,027) were less than total revenues (\$445,257).

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

The Authority's concise statements of revenues, expenses and changes in net position for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
REVENUES		
Property assessments	\$ 311,519	\$ 312,212
Local grants	133,384	100,000
Miscellaneous income	354	-
TOTAL REVENUES	445,257	412,212
EXPENSES		
Administration and general	209,096	262,372
Office operations	83,384	68,190
Advocacy and marketing	83,147	93,327
Special projects	37,400	-
TOTAL EXPENSES	413,027	423,889
CHANGE IN NET POSITION	\$ 32,230	\$ (11,677)

The Authority's revenues (\$445,257) 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 \$693 lower than in FY2019. 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 \$309,418 in 2019 to \$309,359 in 2020.

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.

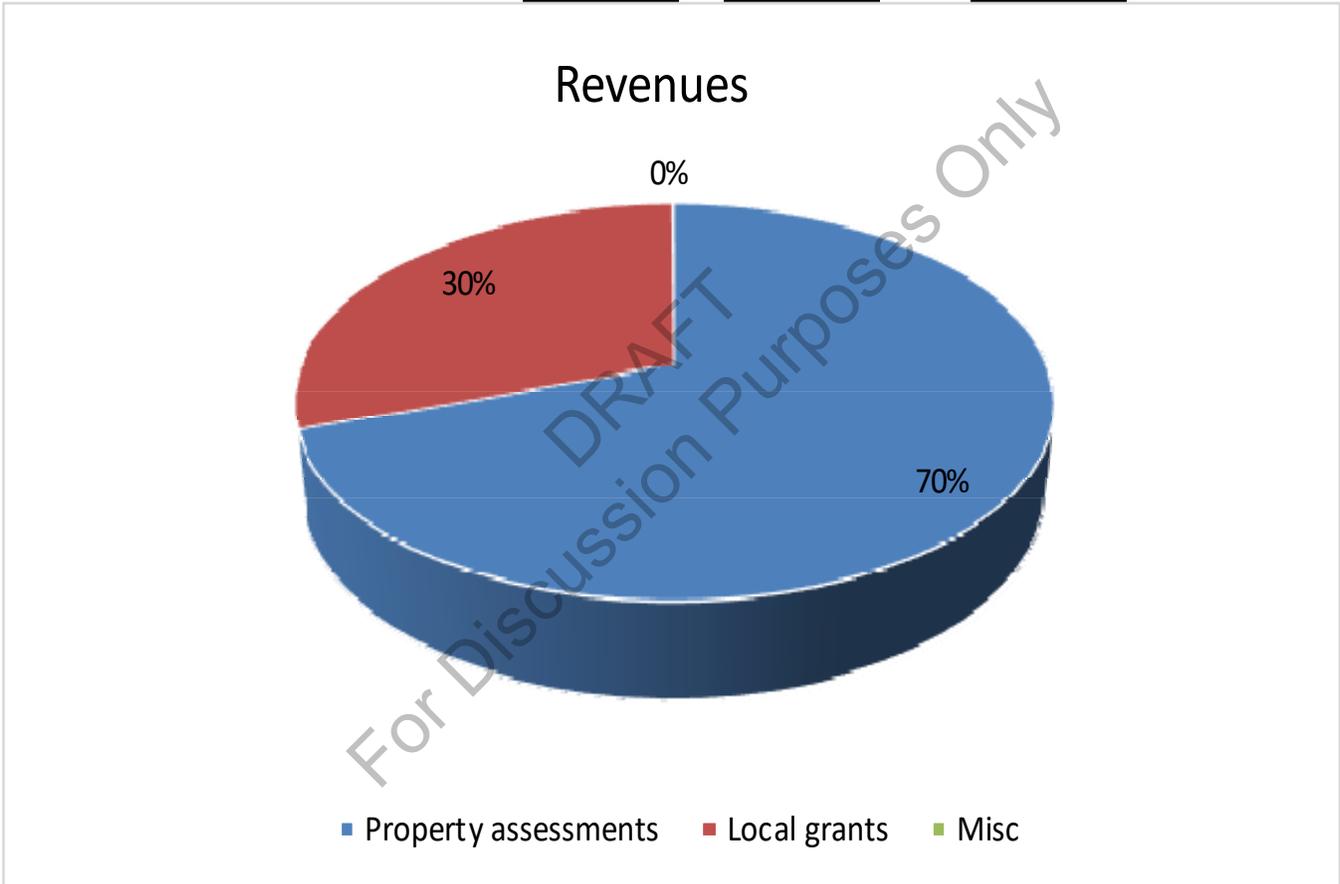
Grants

Grants received were \$15,000 from the West Chester Downtown Foundation for assistance with the flower beautification and street cleaning programs and a one-time COVID related grant for \$30,000 received from the Borough.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

Revenue by Source

	2020 Revenue	% of Total	Inc / (Dec) From 2019	% of Inc / (Dec) From 2019
Property assessments	\$ 311,519	69.96%	\$ (693)	-0.22%
Miscellaneous revenues	354	0.08%	354	100.00%
Local grants	133,384	29.96%	33,384	33.38%
	<u>\$ 445,257</u>	<u>100.00%</u>	<u>\$ 33,045</u>	



EXPENDITURES

BID expenditures of \$413,027 fall into four major categories: Administration (\$209,096), Office Operations (\$83,384), Advocacy and Marketing (\$83,147) and Special Projects (\$37,400).

Administration

The BID Administrative Expense covers the costs of personnel. The decrease in costs over last year (-\$53,276) was due to a reduction in staff and a new executive director being hired at a lower salary.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

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, depreciation, travel, and entertaining expenses.

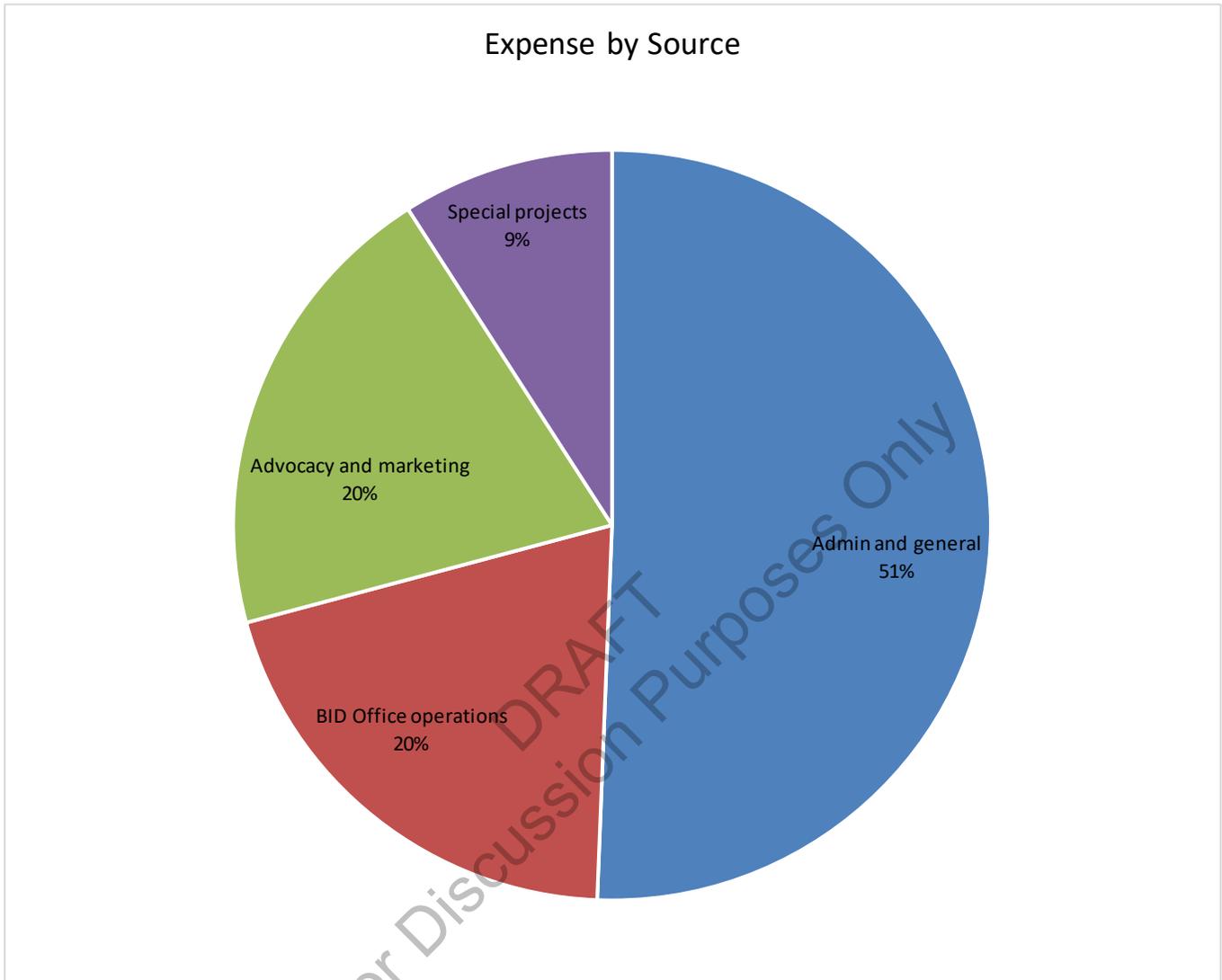
Advocacy and Marketing

Advocacy includes the costs of major projects such as the Clean & Green Program and all marketing efforts. Total Advocacy cost in FY2020 decreased \$10,180 from FY2019, as the result of most events being cancelled due to the pandemic.

Expenses by Source

<u>Combined Expenses</u>	<u>2020 Expenses</u>	<u>% of Total</u>	<u>Inc / (Dec) From 2019</u>	<u>% of Inc / (Dec) From 2019</u>
Admin and general	\$ 209,096	50.63%	\$ (53,276)	-20.31%
BID Office operations	83,384	20.19%	15,194	22.28%
Advocacy and marketing	83,147	20.13%	(10,180)	-10.91%
Special projects	<u>37,400</u>	<u>9.06%</u>	<u>37,400</u>	100.00%
	<u>\$ 413,027</u>	<u>100.00%</u>	<u>\$ (10,862)</u>	

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020



THE FUTURE OF THE BID

The BID was reauthorized unanimously by the West Chester Borough Council in a unanimous vote. The reauthorization was for five years and runs from January 1, 2021 to December 31, 2025. The boundaries of the BID are unchanged and the assessment rate of 3 mils remains the same. As part of the reauthorization process, the BID has adopted a new five-year plan.

2020 was one of the most challenging years on record for small businesses. To aid our small business in West Chester, financed, planned and executed the Gay Street Open Air Market to give stores and restaurants safe spaces to operate outside. Additional resources were spent to advertise the important of supporting local small businesses. The BID continued to market West Chester to customers throughout the region in print and digital advertising; financially support many events that happen in West Chester such as Summer Sidewalk Sales and Shop Small Weekend; finally, the BID beautification efforts of the downtown through the Clean and Green Program. The BID Board of Directors committed to funding the Gay St closure because they realized in the importance of helping our main street in such trying times.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

In the next five years the BID wants to go even farther in helping the downtown. downtownwestchester.com was recently completely redesigned. The new website will help drive people to West Chester by creating an easier interface for users to better understand downtown attractions and will highlight easy ways for customers to park. The BID plans to expand the number of flower boxes in the downtown, produce more banners for our light poles to celebrate the town's rich and diverse heritage, promote more small events to drive customers into the downtown, transition advertising to more digital platforms, recruit more small businesses to the downtown, promote biking and other transportation alternatives, and explore the implementation of information kiosks throughout the downtown to allow visitors a simpler and easier way of understanding what is in the downtown.

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.

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WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	97,438
Accounts receivable		26,393
Grants receivable		42
TOTAL CURRENT ASSETS		<u>123,873</u>

PROPERTY AND EQUIPMENT

Furniture and equipment		13,648
Accumulated depreciation		(13,303)
FURNITURE AND EQUIPMENT, net of accumulated depreciation		<u>345</u>

TOTAL ASSETS 124,218

LIABILITIES

CURRENT LIABILITIES

Accounts payable		1,731
Other current liabilities		14,605
TOTAL CURRENT LIABILITIES		<u>16,336</u>

LONG-TERM LIABILITIES

UDAG loan payable		<u>36,000</u>
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TOTAL LIABILITIES 52,336

NET POSITION

Net investment in capital assets		345
Unrestricted		<u>71,537</u>

TOTAL NET POSITION \$ 71,882

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, 2020

OPERATING REVENUES

Charges for services	\$ 311,519
Miscellaneous income	354
TOTAL OPERATING REVENUES	<u>311,873</u>

OPERATING EXPENSES

Administrative and general	209,096
Office operations	83,384
Advocacy and marketing	83,147
TOTAL OPERATING EXPENSES	<u>375,627</u>

OPERATING LOSS (63,754)

NONOPERATING INCOME (EXPENSES)

Local grants and contributions	133,384
Special projects	(37,400)
TOTAL OTHER INCOME (EXPENSE)	<u>95,984</u>

CHANGE IN NET POSITION 32,230

NET POSITION AT BEGINNING OF YEAR

39,652

NET POSITION AT END OF YEAR

\$ 71,882

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See accompanying notes to the basic financial statements.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Program revenues received	\$ 306,273
Payments to employees and vendors	(382,980)
NET CASH USED BY OPERATING ACTIVITIES	<u>(76,707)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Local grants and contributions	133,384
Proceeds from UDAG loan	36,000
UDAG special project expenditures	(37,400)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>131,984</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 55,277

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 41,735

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 97,012

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

Loss from operations	\$ (63,754)
Adjustments to reconcile change in net position to net cash used by operating activities	
(Increase) in receivables	(5,600)
(Decrease) in accounts payable	(7,772)
Increase in accrued expenses	419
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (76,707)</u></u>

See accompanying notes to the basic financial statements.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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, 2020

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:

Description	Estimated Lives
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, 2020

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	\$ 131,110,990
Approved assessment rate in mills	x .00300
	<hr/>
Gross levy	393,333
	<hr/>
Deductions: Adjustments for mixed-use discount	83,974
Uncollected at December 31	26,393
	<hr/>
Net current year regular BID assessments collected	\$ <u>282,966</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, 2020, none of the BID's bank balance of \$69,339 was exposed to custodial credit risk.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, 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>(7,950)</u>	<u>(426)</u>	<u>-</u>	<u>(8,376)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(12,877)</u>	<u>(426)</u>	<u>-</u>	<u>(13,303)</u>
PROPERTY AND EQUIPMENT, net				
	<u>\$ 771</u>	<u>\$ (426)</u>	<u>\$ -</u>	<u>\$ 345</u>

Depreciation expense for 2020 was \$426 and is included in the BID Office operations expense line item.

NOTE E - Line of Credit

The BID Authority has a working capital line of credit with a local bank in the amount of \$50,000, which is used to fund operations when necessary based on the timing of receipt of revenues. Interest is charged on outstanding balances at the rate of Prime plus 1%, which was 4.25% at December 31, 2020. The outstanding balance on the line of credit was \$0 at December 31, 2020.

NOTE F - UDAG Loan

The BID Authority received a \$36,000 UDAG loan through the Borough of West Chester to be used to help fund costs related to the creation of an open-air market during the COVID-19 pandemic. The market was intended to allow businesses to remain open when they would have otherwise been forced to close or curtail operations due to the restrictions in place at the time. The project involved the closure of portions of Gay Street and loan funds were utilized to help cover these costs. Interest is charged at 1% per annum. Monthly principal and interest payments of \$1,000 each are due beginning July 1, 2022. Any unpaid monthly amounts will be due in full on December 1, 2025. The Authority has pledged future assessment revenues as collateral for the loan.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE F - UDAG Loan (Continued)

An analysis of the debt service requirements to maturity is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ -	\$ -
2022	5,146	854	6,000
2023	11,745	255	12,000
2024	11,863	137	12,000
2025	<u>7,246</u>	<u>26</u>	<u>7,272</u>
	<u>\$ 36,000</u>	<u>\$ 1,272</u>	<u>\$ 37,272</u>

NOTE G - 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 2020 was \$25,667.

The BID leases certain office equipment under operating leases through 2021. Lease expense for the year ended December 31, 2020, was \$1,156.

NOTE H - 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, 2020, the BID contributed \$2,223 (2% matching benefit) to the plan.

NOTE I - 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 2020, West Chester Borough contributed \$115,000 to the BID, and another entity contributed \$15,000 to the BID.

WEST CHESTER BUSINESS IMPROVEMENT DISTRICT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE J - 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 \$25,667 in 2020. A member of the board was an officer for the bank where the BID maintains bank accounts.

NOTE K - RISKS AND UNCERTAINTIES

On March 11, 2020 the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a pandemic which has impacted the global economy. Although no significant financial impact has occurred thus far, the COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the BID’s net position and statement of activities is uncertain and cannot be reasonably estimated at this time.

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