

ARDMORE BUSINESS
DISTRICT AUTHORITY

FINANCIAL STATEMENTS &
AUDITORS' REPORT

YEAR ENDED
31st DECEMBER 2014

ARDMORE BUSINESS DISTRICT AUTHORITY

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**Statement of Net Assets
as of December 31, 2014**

	ABDA	ACDF	TOTAL
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 148,030	\$ 7,837	\$ 155,867
Assessment Receivable	37,307		37,307
Grants Receivable	4,634		4,634
Prepaid Expenses	2,263		2,263
Escrow Deposit Receivable	-		-
Total Current Assets	192,234	7,837	200,071
Non-Current Assets:			
Capital Assets <i>(net of depreciation)</i>	11,687		11,687
Security Deposits	2,000		2,000
Total Non-Current Assets	13,687	-	13,687
TOTAL ASSETS	\$ 205,921	\$ 7,837	\$ 213,758
LIABILITIES & NET ASSETS			
Current Liabilities:			
Accounts Payable & Accrued Expenses	\$ 3,662	\$ -	\$ 3,662
Grants Payable	25,000		25,000
Deferred Revenue	15,316		15,316
Total Current Liabilities	43,978	-	43,978
Non-Current Liabilities	-		-
Total Liabilities	43,978	-	43,978
Net Assets:			
Unrestricted	150,256	7,837	158,093
Unrestricted - Fixed Assets	11,687		11,687
Total Net Assets	161,943	7,837	169,780
TOTAL LIABILITIES & NET ASSETS	\$ 205,921	\$ 7,837	\$ 213,758

ABDA = Ardmore Business District Authority
ACDF = Ardmore Community Development Fund

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**Statement of Revenues, Expenditures, & Changes in Net Assets
for the year ended December 31, 2014**

	ABDA	ACDF	TOTAL
Revenues			
Assessments	\$ 185,731		\$ 185,731
Events & Programs, Sponsorships	19,841	31,120	50,961
Grants	14,390		14,390
Contributions	49	601	650
Interest Earnings	340		340
Total Revenues	<u>220,351</u>	<u>31,721</u>	<u>252,072</u>
Expenditures			
Business Support & Advocacy	130,285		130,285
Program Expenditures, Grants Awarded	4,390	745	5,135
General & Operating	53,868	1,582	55,450
Special Events & Contributions	14,802		14,802
Streetscape	33,989		33,989
Economics Development & Advertising	34,108		34,108
Depreciation Expense	11,452		11,452
less: reimbursed expenses	-		-
Total Expenditures	<u>282,894</u>	<u>2,327</u>	<u>285,221</u>
Transfers	26,005	(26,005)	-
Net Change in Net Assets	(36,538)	3,389	(33,149)
Net Assets, Beginning of Year	<u>198,481</u>	<u>4,448</u>	<u>202,929</u>
Net Assets, End of Year	<u>\$ 161,943</u>	<u>\$ 7,837</u>	<u>\$ 169,780</u>

ABDA = Ardmore Business District Authority
ACDF = Ardmore Community Development Fund

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**Statement of Cash Flows
for the year ended December 31, 2014**

	<u>ABDA</u>	<u>ACDF</u>	<u>TOTAL</u>
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities			
Change in Total Net Assets	\$ (36,538)	\$ 3,389	\$ (33,149)
Depreciation Expense	11,452	-	11,452
Change in Assets Decrease (Increase):			
Assessment Receivable	10,473	-	10,473
Grants Receivable	367	-	367
Accounts Receivable Affiliate	-	-	-
Prepaid Expenses	(64)	-	(64)
Escrow	16,667	-	16,667
Other Current Assets	-	-	-
Change in Liabilities Increase (Decrease):			
Accounts Payable & Accrued Exps.	2,647	-	2,647
Accounts Payable Affiliates.	-	-	-
Grants Payable	5,000	-	5,000
Deferred Revenue	15,316	-	15,316
Net Cash Provided (Used) by Operating Activities	25,320	3,389	28,709
Cash Provided (Used) by Investing Activities			
Furniture and Equipment	(1,690)	-	(1,690)
Cash Provided (Used) by Financing Activities	-	-	-
Net Change in Cash	23,630	3,389	27,019
Cash, Beginning of year	124,400	4,448	128,848
Cash, End of Year	<u>\$ 148,030</u>	<u>\$ 7,837</u>	<u>\$ 155,867</u>

ABDA = Ardmore Business District Authority
ACDF = Ardmore Community Development Fund

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**NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2014**

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NOTE 1. NATURE of ORGANIZATION

Organization. The Township of Lower Merion, Montgomery County, Pennsylvania established the Ardmore Business District Authority (hereinafter “Authority”) on 5th October 1993 as a municipal authority under the provisions of the Pennsylvania Municipal Authorities Act of 1945¹. Originally chartered for five years, the Authority’s charter was renewed in 1998, 2003, 2008, and again in 2013 for ten years (until 2023). Originally known as “Ardmore 2000”, the Authority currently uses the name “Ardmore Initiative”.

The mission of the Authority is to provide a balanced mix of businesses and services in a thriving commercial district. The Authority is responsible for physical improvement and economic development in downtown Ardmore. Over the years, the Authority has implemented streetscape improvement projects, including installing curbs and amenities, planting trees, and initiating regular sidewalk cleaning. The Authority has received funding from the Department of Community & Economic Development (“DCED”) and the Commonwealth of Pennsylvania to provide façade improvement grants to property owners to improve the appearance and utilization of the Ardmore area. The Authority provides a range of other resources to meet the needs of the business community.

The Ardmore Community Development Fund (hereinafter “ACDF”) was chartered as a Pennsylvania not-for-profit corporation on 18th February 2009 and is exempt from federal income tax under U.S. Internal Revenue Code Section 501(a)² as an organization described in Section 501(c)(3)². The ACDF’s application for said tax-exempt status was approved by the Internal Revenue Service retroactive to 18th February 2009; the IRS has classified the ACDF as a public charity.

The purpose ACDF acts as a companion to the Authority, to accept grants and other funds from donors who are restricted to making such grants to tax-exempt organizations, and to provide charitable services for the benefit of the Ardmore community which are outside the mandate of the Authority.

References in these notes to financial statements to either the “Authority” or the “ACDF” denote references to those individual organizations. References hereunder to the “Ardmore Initiative” denote the two organizations considered together.

NOTE 2. SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

(a.) Basis of Accounting. In all material respects, both the Authority and the ACDF maintain their books & records, and present their financial statements on the accrual

¹ P.L.382, No.164 53 Pa.C.S.A., Pt. V, Subpt. A, Ch. 56

² U.S. Internal Revenue Code of 1986, as amended

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basis of accounting in accordance with generally accepted accounting principles (GAAP), according to the recommendations of the Governmental Accounting Standards Board (GASB), on a fiscal year ending December 31st of each year. As a *special purpose government entity engaged only in business-type activities*³, the Authority has elected to present its financial statements in accordance with those required for enterprise funds.

- (b.) The Authority is required to report information regarding its financial position and activities according to three classes of net assets: (i.) unrestricted net assets, (ii.) temporarily restricted net assets, and (iii.) permanently restricted net assets.
- (c.) Recognition of Donor Restricted Contributions. Grants & Contributions received are recorded as permanently restricted, temporarily restricted, or unrestricted support depending on the existence or nature of any donor restrictions. Restricted and temporarily restricted contributions, whose restrictions are met in the same reporting periods, are reported as unrestricted support. When a restriction expires, i.e., when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.
- (d.) Measurement Focus. The Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Net Assets are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as they are earned and expenses are recognized as they are incurred.
- (e.) Net Assets: Permanently Restricted, Temporarily Restricted, & Unrestricted.
 - (i.) Unrestricted Net Assets consist of all net assets which are expendable, at the discretion of the organizations' management and board of directors for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose.
 - (ii.) Temporarily Restricted Net Assets consist of net assets that have been limited by donor imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Ardmore Initiative pursuant to those stipulations. When a donor restriction expires, (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Ardmore Initiative did not have any temporarily restricted net assets as of 31st December 2014.

³ as defined by GASB Statement No.34, "Basic Financial Statements and Management's Discussion & Analysis for State & Local Governments"

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- (iii.) Restricted Net Assets consist of net assets that have been permanently limited by donor imposed stipulations. Ardmore Initiative did not have any permanently restricted net assets as of 31st December 2014.
- (f.) Property & Equipment. Property and equipment costing in excess of \$500 with a useful life exceeding one year are capitalized at cost. Leasehold improvements are deemed to have a useful life corresponding to the remainder of the term of the applicable lease(s), including options to extend or renew such lease(s). Depreciation is being provided for using the straight-line method over the estimated useful live of the assets capitalized.
- (g.) Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.
- (h.) Donated Services. A number of professionals, businesses, and volunteers have donated their time in support of Ardmore Initiative’s programs. During 2014, approximately 1,105 hours of volunteer service were performed on behalf of the Ardmore Initiative. At the state’s valuation of \$21.09 per hour, this would amount to approximately \$23,304. This valuation has not been reflected in the accompanying financial statements.
- (i.) Compensated Absences. The Ardmore Initiative recognizes liabilities associated with compensated absences in accordance with GASB Statement #16 “*Accounting for Compensated Absences*”. As of 31st December 2014, there were no such liabilities.
- (j.) Post-Employment Benefits (other than pension). The Ardmore Initiative recognizes liabilities associated with post-employment benefits (other than pension) in accordance with GASB Statement #45 “*Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension*”. As of 31st December 2014, there were no such liabilities.

NOTE 3. REPORTING ENTITY

In evaluating the Ardmore Business District Authority as a reporting entity, the Authority has addressed all potential component units (a.) to which it may be financially accountable or for which it may be functionally accountable, and (b.) which raise and hold economic resources for the direct benefit of the Authority.

According to GASB Statement #14, “*The Financial Reporting Entity*”, the Authority is financially accountable to an organization if that organization appoints a voting majority of the Authority’s governing board and (1) that organization can impose its will on the Authority or (2)

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there is a potential for that organization to provide specific financial benefit to or impose specific financial burden on the Authority; likewise, the Authority is functionally accountable for an organization if it appoints a voting majority of an organization's governing board and (1) it can impose its will on said organization or (2) there is a potential for said organization to provide specific financial benefit to or impose specific financial burden on the Authority. According to this pronouncement, the Ardmore Business District Authority is a component unit of Lower Merion Township, Montgomery County, Pennsylvania.

According to GASB Statement #39, "*Determining Whether Certain Organizations Are Component Units*", the Authority is required to further consider other organizations for which the nature and significance of their relationship are such that exclusion would cause either the Authority's or another reporting entity's financial statements to be misleading or incomplete. Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the Authority, its component units, or its constituents; and
2. The Authority, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and
3. The economic resources received or held by an individual organization that the Authority, or its component units, is entitled to, or has the ability to otherwise access, are significant thereto.

According to this pronouncement, the Ardmore Community Development Fund is a component unit of the Ardmore Business District Authority. Therefore, these financial statements discretely present the assets, liabilities, net assets, and activities of each of the Ardmore Business District Authority and the Ardmore Community Development Fund. References to the Ardmore Initiative refer to the assets, liabilities, net assets, and activities of both the Ardmore Business District Authority and the Ardmore Community Development Fund taken together.

NOTE 4. CASH

Cash consists of funds on deposit in checking and money market accounts at local commercial banks and savings banks. Accounts are insured by the FDIC up to \$250,000. Cash balances on deposit with financial institutions at 31st December 2014 did not exceed these limits.

NOTE 5. PREPAID EXPENSES

Prepaid expenses refer to amounts for expenses (e.g., rent, insurance, etc.) paid during the year which properly applied to a subsequent period (i.e., the following year).

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NOTE 6. CAPITAL ASSETS

Capital Assets consist of furniture, equipment, and leasehold improvements of the Authority as of the following at 31st December 2014:

	Beginning of Year	Additions	Deletions	End of Year
Furniture & Equipment	\$ 64,069	\$ 1,690	\$ -	\$ 65,759
Leasehold Improvements	15,770			15,770
	79,839	1,690	-	81,529
less: Accumulated Depr'n	58,390	11,452	-	69,842
Total Capital Assets, net	\$ 21,449	\$ (9,762)	\$ -	\$ 11,687

Depreciation expense for 2014 totaled \$11,452. The ACDF has no capital assets.

NOTE 7. ACCOUNTS PAYABLE & ACCRUED EXPENSES

Amounts listed as Accounts Payable reflect expenses incurred during the year but not paid as of December 31st.

NOTE 8. PROPERTY TAX ASSESSMENTS

Property tax assessments are levied on April 15th of each year for the current calendar year. Payment is due by July 15th. A penalty of 6% of the amount due is added to any outstanding balances on July 16th of that year. Any unpaid property tax assessments on December 31st attach as a lien on the property. The following information pertains to the year ended 31st December 2014:

Total Taxable Property Assessments	\$ 100,194,120
Assessment for 2014 (in mills)	1.807
Total Property Tax Levied	\$ 181,051

NOTE 9. EMPLOYEE BENEFIT PLAN

The Authority maintains a Savings Incentive Match Plan for Employees (SIMPLE) according to the regulations set forth in Internal Revenue Code Section 408(k) that covers substantially all eligible employees. Employer contributions to the plan are discretionary and are limited to 3% of the aggregate annual compensation of each participating employee.

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NOTE 10. LITIGATION

As of the date of these statements, the Ardmore Initiative has no pending or threatened claims or matters of litigation.

NOTE 11. LEASE COMMITMENT

The Authority entered into a two-year lease beginning January 1, 2015 and ending December 31, 2016. Rent expense will be \$2,000 per month for office space with an option to renew on a month-to-month basis at the same rate. Rent expense for the year ended 31st December 2014 was \$23,400. Payments on the two-year lease will be as follows:

<u>Year</u>	<u>Rent Expense</u>
2015	\$ 24,000
2016	24,000
	<u>48,000</u>

NOTE 12. ECONOMIC DEPENDENCY

For the year ended 31st December 2013, Ardmore Initiative received over 73% of its revenues from a single source, namely the property tax assessments provided by the owners of the properties located in the business district.

	<u>Authority Amount</u>	<u>ACDF Amount</u>	<u>Total</u>	<u>Percentage</u>
Property Tax Revenue	\$ 185,731	\$ -	\$ 185,731	73.68%
All Other Revenues	34,620	31,721	66,341	26.32%
	<u>\$ 220,351</u>	<u>\$ 31,721</u>	<u>\$ 252,072</u>	<u>100.00%</u>

NOTE 13. STATEMENT of CASH FLOWS

Ardmore Initiative presents its Statement of Cash Flows on the indirect method.

NOTE 14. SUBSEQUENT EVENTS.

Ardmore Initiative has evaluated all events subsequent to the financial statement date of 31st December 2014 through 12th June 2015, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure under FASB ASC 885-10 Subsequent Events.

SUPPLEMENTAL INFORMATION

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Required Supplemental Information

**Statement of Revenues, Expenditures, & Changes in Net Assets
Actual vs. Budget Comparison (cash basis of accounting)
for the year ended December 31, 2014**

	ACTUAL (combined)	BUDGET	variance
Revenues			
Assessments	196,204	185,679	10,525
Sponsorships - Events & Programs	50,961	50,000	961
Grants	30,073	35,000	(4,927)
Local Government Subsidies	0	0	0
Contributions	650	0	650
Interest Earnings	340	1,500	(1,160)
Total Revenues	<u>278,228</u>	<u>272,179</u>	<u>6,049</u>
Expenditures			
Business Support & Advocacy	130,285	130,433	148
Program Expenditures, Grants Awarded	(2,512)	0	2,512
General & Operating	55,514	59,199	3,685
Special Events & Contributions	14,802	17,660	2,858
Streetscape	33,989	32,288	(1,701)
Economics Development & Advertising	34,108	32,599	(1,509)
Capital Expenditures	1,690	0	(1,690)
less: reimbursed expenses	0	0	0
Total Expenditures	<u>267,876</u>	<u>272,179</u>	<u>4,303</u>
Change in Net Assets	<u>10,352</u>	<u>0</u>	<u>10,352</u>
Net Assets, Beginning of Year (Budgetary Basis)	<u>154,089</u>		
Net Assets, End of Year (Budgetary Basis)	<u>164,441</u>		