Bethlehem Revitalization and Improvement Authority

Financial Statements

December 31, 2022 and 2021

Independent Auditors' Report

To the Board of Directors of
Bethlehem Revitalization and Improvement Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Bethlehem Revitalization and Improvement Authority (the Authority), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the net position of the Authority as of December 31, 2022 and 2021, and the changes in net position for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1; and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Lancaster, Pennsylvania
February 7, 2023

Bethlehem Revitalization and Improvement Authority

Statements of Net Position—Modified Cash Basis
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	$ 187,487	$ 103,995
Net Position		
Net Position		
Unrestricted	$ 187,487	$ 103,995

See notes to financial statements

Bethlehem Revitalization and Improvement Authority

Statements of Revenues, Expenditures and Change in Net Position—Modified Cash Basis
Years Ended December 31, 2022 and 2021

	2022	2021
Revenues		
Taxes	$ 1,354,638	$ 543,433
User charges	83,860	64,705
Total revenues	1,438,498	608,138
Expenditures		
Project costs	1,273,568	503,944
Operating costs	81,438	39,089
Total expenditures	1,355,006	543,033
Change in net position	83,492	65,105
Net Position, Beginning	103,995	38,890
Net Position, Ending	$ 187,487	$ 103,995

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Bethlehem Revitalization and Improvement Authority (the Authority) was established on November 6, 2013 by the City of Bethlehem of Lehigh and Northampton Counties, Pennsylvania. It is established as a Municipal Authority under the Pennsylvania Municipal Authorities Act. The Authority is governed by a five member appointed Board of Directors and was established to oversee and direct the activities of Bethlehem's City Revitalization and Improvement Zone (CRIZ).

Reporting Entity

The reporting entity has been defined in accordance with the criteria established in Government Accounting Standards Board (GASB) Statement No. 14, as amended. The specific criteria used in determining whether other organizations should be included in the Authority's financial reporting entity are financial accountability, fiscal dependency and legal separation.

The Authority is a basic level of government that has oversight responsibility and control of the Authority. The Authority receives funding from local and state sources and must comply with concomitant requirements of these funding source entities. However, the Authority is not included in any other governmental reporting entity as defined in GASB pronouncements, since Board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. No other entities are included in these financial statements.

Basis of Accounting, Measurement Focus

The accounting and reporting policies of the Authority relating to its special revenue fund type included in the accompanying basic financial statements conform to the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. GAAP for local governments include those principles prescribed by GASB. The Authority applies the standards prescribed by GASB with the constraints of the modified cash basis of accounting.

Accordingly, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. Consequently, accounts receivable, amounts due to vendors and suppliers and accrued expenses are not included in the financial statements.

Subsequent Events

The Authority has evaluated subsequent events for recognition and disclosure February 7, 2023, which is the date the financial statements were available to be issued.

2. Cash

Under the Municipality Authorities Act of 1945, the Authority can invest in U.S. Treasury Bills, other short-term U.S. and Pennsylvania government obligations or their agencies or instruments and insured or collateralized time deposits and certificates of deposits.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. At December 31, 2022 and 2021, all of its deposits were covered by federal depository insurance.

3. Revenue

The Authority receives tax revenue through state and local taxes. Currently, there are seven eligible state taxes and two out of four eligible local taxes are used to calculate revenue which is received from the state.

User charge revenue represents fees for services provided by the Authority for debt issuance costs. Revenue is recognized when payment for these services is received.

4. Project Costs

The following projects had costs incurred for the years ended December 31:

	2022	2021
Greenway I, Inc., (Northampton County tax parcel ID# P6SE1A-10-11)	$ 339,950	$ 249,900
Bethworks Renovation LLC/Bethworks Renovation II, Greenway A Roasters, LLC (County tax parcel ID#s P6SE1B-6-2, 6-3 & 5-5)	309,789	237,433
NIP Wilbur, LLC (County tax parcel ID# P6NW3C-3-1C)	103,961	1,325
Wind Creek Bethlehem, LLC (County tax parcel ID# P6 2 2-25)	203,387	-
South New Street Streetscape Project	-	15,286
Bethlehem Parking Authority, Polk Street Garage	316,481	-
Total	$ 1,273,568	$ 503,944

5. Conduit Debt

The Authority acts as an intermediary between businesses and financial institutions wishing to provide financing to such businesses in the form of bonds and/or notes (debt instruments) that are classified as conduit debt issuances.

These debt instruments are not reported as liabilities in the Authority's financial statements. They are not secured by, or payable from revenues or assets of the Authority. The faith and credit of the Authority is not pledged to the payment of the principal and interest on the debt instruments nor is the Authority in any manner obligated to make any payments on such instruments.

In August 2017, the Authority executed a promissory note to provide $6,000,000 to Greenway I, Inc. through a conduit debt issuance. In August 2022 there was a loan modification related to interest rates and the timing of principal payments. In June 2018, the Authority executed another promissory note to provide $4,691,237 to Bethworks Renovation II, LLC, Bethworks Renovation LLC and Greenway A Roasters, LLC through a conduit debt issuance. These notes are secured by the respective property financed and are payable solely from payments received on the underlying note between lending banks and the borrowers.

The principal amounts outstanding under these notes at December 31, 2022 and 2021 are $9,657,203 and $9,112,249, respectively.

6. New Accounting Pronouncements

GASB has approved the following:

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Statement No. 96, *Subscription-Based Information Technology Arrangements*

Statement No. 99, *Omnibus 2022*

Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*

Statement 101, *Compensated Absences*

Authority management is in the process of evaluating these standards within the confines of the modified cash basis of accounting. When they become effective, application of these standards may restate portions of these financial statements.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of
Bethlehem Revitalization and Improvement Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bethlehem Revitalization and Improvement Authority (the Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 7, 2023. Our report included an other matters paragraph describing that the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion was not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Lancaster, Pennsylvania
February 7, 2023