



ALLENTOWN NEIGHBORHOOD
IMPROVEMENT ZONE
DEVELOPMENT AUTHORITY

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT
ZONE DEVELOPMENT AUTHORITY
ALLENTOWN, PENNSYLVANIA**

**REPORT ON AUDIT OF
BASIC FINANCIAL STATEMENTS**

DECEMBER 31, 2023 AND 2022

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY
ALLENTOWN, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

May 30, 2024

To the Authority Board Members
Allentown Neighborhood Improvement
Zone Development Authority
Allentown, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Allentown Neighborhood Improvement Zone Development Authority ("ANIZDA"), Allentown, Pennsylvania, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise ANIZDA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ANIZDA as of December 31, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ANIZDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

ANIZDA's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the

To the Authority Board Members
Allentown Neighborhood Improvement
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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 ANIZDA'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.

Auditor's 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 auditor's 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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, 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 ANIZDA'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 ANIZDA'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.

To the Authority Board Members
Allentown Neighborhood Improvement
Zone Development Authority

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence to express an opinion or provide any assurance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY
DECEMBER 31, 2023 AND 2022**

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

The Allentown Neighborhood Improvement Zone Development Authority ("ANIZDA") is a public instrumentality of the Commonwealth of Pennsylvania ("the Commonwealth"), and a body corporate and politic created by the City of Allentown ("the City"). ANIZDA was incorporated under the Pennsylvania Economic Development Financing Law. A certificate of incorporation was issued to ANIZDA by the Secretary of the Commonwealth on March 23, 2012. ANIZDA's existence will continue for 50 years to March 23, 2062.

ANIZDA offers readers of these financial statements this narrative overview and analysis of the financial activities of ANIZDA for the fiscal year ended December 31, 2023. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Readers are encouraged to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

During the fiscal year ended December 31, 2023, ANIZDA:

- Issued \$25,935,000 aggregate principal amount of Subordinate Tax Revenue Bonds, Series 2023 (Neuweiler Lofts Project) for the purpose of assisting the financing needs of 401 N Front St., LLC. Additional information about ANIZDA's conduit debt is presented in Note 8 to the financial statements.
- Entered into two Facility Modification Agreements with M&T Bank to increase borrowing capacity in the total amount of \$50 million pursuant to Accordion 2 as defined in the Construction Loan Agreement for the purpose of assisting with the financing needs of City Center Investment Corporation. Additional information about ANIZDA's conduit debt is presented in Note 8 to the financial statements.
- Accrued for \$80,972,570 in NIZ revenue for calendar year 2023. This accrual is net of \$22,000,000 in preliminary excess Neighborhood Improvement Zone (NIZ) revenue due back to the Commonwealth of Pennsylvania for calendar year 2023. Transferred \$22 million in preliminary excess NIZ revenue for calendar year 2023 to the Commonwealth in May 2024. The amount of NIZ revenue certified and remitted by the Commonwealth to the escrow agent was the highest annual amount since inception of the program.
- Transferred \$2,483,000 in year end excess NIZ revenue for calendar year 2022 to the Commonwealth and \$117,000 in year end excess NIZ revenue for calendar year 2022 to the City of Allentown.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to ANIZDA's basic financial statements. ANIZDA's basic financial statements consist of: 1) financial statements and 2) notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY
DECEMBER 31, 2023 AND 2022**

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

Table 1: Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets and Deferred Outflows of Resources:			
Current assets	\$ 96,752,532	\$ 95,893,463	\$ 96,174,098
Noncurrent assets	194,271,580	188,858,015	200,740,136
Deferred outflows of resources	<u>118,822</u>	<u>475,284</u>	<u>831,746</u>
Total Assets and Deferred Outflows of Resources	<u>\$291,142,934</u>	<u>\$285,226,762</u>	<u>\$297,745,980</u>
Liabilities and Deferred Inflows of Resources:			
Current liabilities	\$ 70,964,869	\$ 65,893,718	\$ 65,659,464
Long-term liabilities	180,732,848	187,586,089	197,732,436
Deferred inflows of resources	<u>10,408,400</u>	<u>10,957,734</u>	<u>5,480,697</u>
Total Liabilities and Deferred Inflows of Resources	<u>262,106,117</u>	<u>264,437,541</u>	<u>268,872,597</u>
Net Position:			
Net investment in capital assets	(26,689,709)	(27,537,716)	(25,776,693)
Restricted	28,312,764	27,832,592	34,875,945
Unrestricted	<u>27,413,762</u>	<u>20,494,345</u>	<u>19,774,131</u>
Total Net Position	<u>29,036,817</u>	<u>20,789,221</u>	<u>28,873,383</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$291,142,934</u>	<u>\$285,226,762</u>	<u>\$297,745,980</u>

The primary variances in the statement of net position were:

- In 2023, current assets increased 859,069 compared to 2022 primarily due to an increase in the year-end receivable from the Commonwealth offset by the reclassification of investments to noncurrent assets as a result of scheduled maturities of investments. Comparing 2022 and 2021, current assets decreased by \$280,635 primarily due to a decrease in the year-end receivable from the Commonwealth offset by the reclassification of investments to current assets as a result of scheduled maturities of investments.
- In 2023, noncurrent assets increased by \$5,413,565 compared to 2022 due to an increase in noncurrent investments offset by an increase in accumulated depreciation. In 2022, noncurrent assets decreased by \$11,882,121 compared to 2021 due to a decrease in noncurrent investments and an increase in accumulated depreciation.
- In 2023, long-term liabilities decreased by \$6,853,241 compared to 2022 due to payments made on long-term debt. Comparing 2022 and 2021, long-term liabilities decreased by \$10,146,347 compared to 2021 due to payments made on long-term debt.

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY
DECEMBER 31, 2023 AND 2022**

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

Table 2: Statements of Revenues, Expenses, and Changes in Net Position

	2023	2022	2021
Operating revenues	\$ 80,189,005	\$ 64,266,234	\$ 74,151,146
Operating expenses	63,124,984	59,918,774	58,348,010
Income from operations	<u>17,064,021</u>	<u>4,347,460</u>	<u>15,803,136</u>
Non-operating revenues (expenses)			
Investment income	1,433,104	596,108	286,367
Capital grant expense	(4,213,134)	(4,372,762)	(2,326,034)
Interest expense	(6,036,395)	(8,654,968)	(9,726,364)
Non-operating expenses	<u>(8,816,425)</u>	<u>(12,431,622)</u>	<u>(11,766,031)</u>
Change in Net Position	<u>\$ 8,247,596</u>	<u>\$ (8,084,162)</u>	<u>\$ 4,037,105</u>

The primary variances in the statement of revenues, expenses, and changes in net position were as follows:

- In 2023, operating revenues increased by \$15,922,771 compared to 2022 primarily due to an increase in the NIZ revenue remitted by the Commonwealth. Comparing 2022 and 2021, operating revenues decreased by \$9,884,912 primarily due to a decrease in the NIZ revenue remitted by the Commonwealth and the timing of returns of excess NIZ revenues to the Commonwealth. In 2022, there was an accrual for the return of 2022 excess NIZ revenues in addition to a return that occurred during the year related to 2021 excess NIZ revenues.
- Investment income increased by \$836,996 when comparing 2023 and 2022 due to improved market performance in 2023 compared to 2022. In 2022, investment income increased by \$309,741 when compared to 2021 due to improved market performance in 2022 compared to 2021.
- Capital grant expense increased by \$159,628 when comparing 2023 and 2022 due to the continued increase in development activity funded through ANIZDA's Public Improvement Investment Program. Comparing 2022 and 2021, capital grant expense increased by \$2,046,728 due to increased development activity funded through ANIZDA's Public Improvement Investment Program

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2023, 2022, and 2021, ANIZDA's investment in capital assets, net of accumulated depreciation was \$166,211,171, \$172,031,322, and \$178,043,234, respectively. This investment in capital assets includes land, buildings, land improvements, leasehold improvements, and equipment.

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY
DECEMBER 31, 2023 AND 2022**

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

Table 3: Capital Assets

	2023	2022	2021
Land	\$ 42,483,747	\$ 42,483,747	\$ 42,483,747
Depreciable capital assets:			
Buildings	158,632,640	158,433,789	158,433,789
Land improvements	941,918	941,918	941,918
Equipment	20,233,614	20,233,614	20,233,614
Leasehold improvements	106,691	106,691	106,691
Office equipment	25,910	23,195	23,195
Total depreciable capital assets	<u>179,940,773</u>	<u>179,739,207</u>	<u>179,739,207</u>
Less accumulated depreciation	<u>(56,213,349)</u>	<u>(50,191,632)</u>	<u>(44,179,720)</u>
Net depreciable assets	<u>123,727,424</u>	<u>129,547,575</u>	<u>135,559,487</u>
Total Capital Assets (including land)	<u>\$166,211,171</u>	<u>\$172,031,322</u>	<u>\$178,043,234</u>

Additional information about ANIZDA's capital assets is presented in Note 6 to the financial statements.

Long-term Debt

As of December 31, 2023, 2022, and 2021, ANIZDA had \$187,586,089, \$194,314,330, and \$204,651,673, respectively, in bonds outstanding.

As of December 31, 2023, 2022, and 2021, ANIZDA had a balance of \$4,021,497, \$4,096,666, and \$4,033,922, respectively, in a revolving credit facility with Peoples Security Bank & Trust.

Additional information about ANIZDA's current long-term debt can be found in Notes 7 and 14 to the financial statements.

Future Plans

- Based on the level of inquiries and proposals received from prospective developers, additional future development projects are expected within the NIZ.

Requests for Information

This report is designed to provide an overview of ANIZDA's finances for those parties with an interest in further understanding the operations of the entity for the year. Questions concerning any of the information found in this report or requests for additional information should be directed to the Allentown Neighborhood Improvement Zone Development Authority at 5 North Front Street, Allentown, PA, 18102-5303.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and cash equivalents	\$ 10,848,987	10,110,703
Cash and cash equivalents - restricted	4,324,900	4,746,357
Investments - restricted	128,812	10,729,684
Accounts receivable - Commonwealth of Pennsylvania	80,972,570	69,551,799
Accounts receivable - other	206,675	396,386
Lease receivable	270,588	358,534
Total Current Assets	96,752,532	95,893,463
Noncurrent Assets:		
Investments - restricted	26,006,907	14,502,603
Lease receivable	2,053,502	2,324,090
Capital Assets:		
Land	42,483,747	42,483,747
Depreciable capital assets, net	123,727,424	129,547,575
Total Capital Assets	166,211,171	172,031,322
Total Noncurrent Assets	194,271,580	188,858,015
TOTAL ASSETS	\$ 291,024,112	\$ 284,751,478
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	118,822	475,284
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 291,142,934	\$ 285,226,762
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts payable and other accrued liabilities	\$ 324,547	213,123
Unearned revenue	454,590	446,927
Developer Dedicated NIZ Revenue payable	55,889,934	50,973,734
Capital reserve fund escrow	2,147,855	2,146,052
Accrued payroll and related liabilities	3,812	4,622
Revolving credit facility	4,021,497	4,096,666
Accrued interest payable	1,269,393	1,284,353
Bonds payable, including unamortized premium	6,853,241	6,728,241
Total Current Liabilities	70,964,869	65,893,718
Noncurrent Liabilities:		
Bonds payable, including unamortized premium	180,732,848	187,586,089
Total Noncurrent Liabilities	180,732,848	187,586,089
TOTAL LIABILITIES	251,697,717	253,479,807
DEFERRED INFLOWS OF RESOURCES		
Deferred arena rent	4,974,787	5,227,742
Deferred amount on refunding	5,433,613	5,729,992
TOTAL DEFERRED INFLOWS OF RESOURCES	10,408,400	10,957,734
NET POSITION		
Net investment in capital assets	(26,689,709)	(27,537,716)
Restricted	28,312,764	27,832,592
Unrestricted	27,413,762	20,494,345
TOTAL NET POSITION	29,036,817	20,789,221
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 291,142,934	\$ 285,226,762

The accompanying notes are an integral part of these financial statements.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES:		
Commonwealth of Pennsylvania - NIZ revenue	\$ 103,086,465	\$ 91,551,799
Less: return of excess NIZ revenue 2023	(22,000,000)	-
Less: return of excess NIZ revenue 2022	(2,600,000)	(22,000,000)
Less: return of excess NIZ revenue 2021	-	(7,111,900)
Net Commonwealth of Pennsylvania - NIZ revenue	78,486,465	62,439,899
Local hotel tax - NIZ revenue	324,324	315,503
Developer fees	1,030,246	1,229,205
Arena rents	252,956	252,956
Parking fees and reimbursements	-	14,352
Other	95,014	14,319
TOTAL OPERATING REVENUES	80,189,005	64,266,234
OPERATING EXPENSES:		
Depreciation	6,021,717	6,011,912
Developer Dedicated NIZ Revenue	55,889,934	50,973,734
Insurance	20,927	20,090
Local hotel tax distribution	414,650	334,521
Other expenses	48,508	34,333
Parking facility operating expenses and management fees	-	14,352
Payroll expenses	303,454	235,357
Professional fees	403,295	2,273,227
Rent	22,499	21,248
TOTAL OPERATING EXPENSES	63,124,984	59,918,774
OPERATING INCOME (LOSS)	17,064,021	4,347,460
NONOPERATING REVENUES (EXPENSES) :		
Interest income	1,433,104	596,108
Capital grant expense	(4,213,134)	(4,372,762)
Interest expense	(6,036,395)	(8,654,968)
TOTAL NONOPERATING REVENUES (EXPENSES)	(8,816,425)	(12,431,622)
CHANGE IN NET POSITION	8,247,596	(8,084,162)
NET POSITION, BEGINNING OF YEAR	20,789,221	28,873,383
NET POSITION, END OF YEAR	\$ 29,036,817	\$ 20,789,221

The accompanying notes are an integral part of these financial statements.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Commonwealth of Pennsylvania - NIZ revenue received	\$ 67,065,694	\$ 65,451,418
Other cash receipts	2,005,493	1,741,386
Developer Dedicated NIZ Revenue paid	(50,973,734)	(50,877,875)
Other cash payments	(1,100,916)	(2,365,324)
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	16,996,537	13,949,605
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	1,433,104	596,108
Purchase of investments	(11,633,116)	(5,217,988)
Sale of investments	10,729,684	14,164,224
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	529,672	9,542,344
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Revolving credit facility proceeds	3,924,831	4,062,934
Principal payment on revolving credit facility	(4,000,000)	(4,000,000)
Proceeds from debt refunding	-	187,920,634
Payments to redeem outstanding debt	(4,905,000)	(190,585,000)
Interest paid on debt	(7,814,513)	(10,591,446)
Payment of capital grant	(4,213,134)	(4,372,762)
Payments for the acquisition and construction of capital assets	(201,566)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(17,209,382)	(17,565,640)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	316,827	5,926,309
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,857,060	8,930,751
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 15,173,887	\$ 14,857,060
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 17,064,021	\$ 4,347,460
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	6,021,717	6,011,912
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable - Commonwealth of Pennsylvania	(11,420,771)	3,011,519
(Increase) Decrease in accounts receivable - other	189,711	(229,274)
(Increase) Decrease in lease receivable	358,534	348,673
(Decrease) Increase in accounts payable and other accrued liabilities	111,424	189,735
(Decrease) Increase in unearned revenue	7,663	48,607
(Decrease) Increase in capital reserve fund escrow	1,803	376,377
(Decrease) Increase in Developer Dedicated NIZ Revenue payable	4,916,200	95,859
(Decrease) Increase in accrued payroll and related liabilities	(810)	1,692
(Decrease) Increase in deferred inflows of resources - deferred arena rent	(252,955)	(252,955)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 16,996,537	\$ 13,949,605
Cash and cash equivalents	\$ 10,848,987	\$ 10,110,703
Cash and cash equivalents - restricted	4,324,900	4,746,357
	\$ 15,173,887	\$ 14,857,060
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amortization of bond premium (component of interest expense)	\$ 1,823,241	\$ 1,671,304
Amortization of deferred amount on refunding (component of interest expense)	\$ (60,083)	\$ (84,781)

The accompanying notes are an integral part of these financial statements.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Allentown Neighborhood Improvement Zone Development Authority ("ANIZDA") is a public instrumentality of the Commonwealth of Pennsylvania ("the Commonwealth"), and a body corporate and politic created by the City of Allentown ("the City"). ANIZDA was incorporated under the Pennsylvania Economic Development Financing Law. A certificate of incorporation was issued to ANIZDA by the Secretary of the Commonwealth on March 23, 2012. ANIZDA's existence will continue for 50 years to March 23, 2062.

The criteria for including organizations within ANIZDA's reporting entity, as set forth in the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification"), relate to financial accountability. On the basis of these criteria, ANIZDA has no other entities that are required to be included in its financial statements, nor is ANIZDA includable in the financial statements of any other reporting entity.

ANIZDA was created by the City as a dedicated industrial development authority to implement and administer development and financing of projects in the Neighborhood Improvement Zone ("the NIZ"), as explained below, to manage the unique financing structure of the NIZ, including the financing and development of the Arena Project and related supporting projects.

The provisions of Act 50 of 2009, Act 26 of 2011, Act 87 of 2012, and Act 52 of 2013 as amended in Act 84 of 2016 and Act 43 of 2017 of the Pennsylvania General Assembly, authorize, among other things, the establishment of the NIZ in an area not greater than 130 acres located in the City of Allentown and the pledge of revenues to ANIZDA derived from the taxes enumerated in the NIZ Act from all taxpayers associated with a qualified business, as defined below, located in the NIZ, distributed, or to be distributed to ANIZDA by the Treasurer of the Commonwealth ("the NIZ revenues") for the payment of debt service on the bonds or obligations issued to finance improvements and developments within the NIZ, including the construction of the Arena Project within the NIZ. The NIZ contains approximately 128 acres.

The NIZ Act defines a "Qualified Business" as an entity authorized to conduct business in the Commonwealth which is located or partially located within the NIZ and engaged in the active conduct of a trade or business for the taxable year.

The NIZ Act provides for the Commonwealth to transfer to ANIZDA the NIZ revenue attributed to the previous calendar year prior to March 20th of each year.

ANIZDA is authorized to acquire, hold, construct, improve, maintain, own, finance, and lease, either in capacity of lessor or lessee, industrial, specialized, or commercial development projects and serve as successor contracting authority to the Allentown Commercial and Industrial Development Authority ("ACIDA") for purposes of administering the NIZ. ANIZDA's

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

powers are limited to development activities within the NIZ. ANIZDA is authorized to assume or issue debt to refinance debt issued by ACIDA for NIZ-related projects and acquire the NIZ-related assets held by ACIDA in the Arena Block.

ACIDA is a separate entity and independent of ANIZDA. ACIDA has served as the City's economic development financing arm since 1983. ACIDA acted as the initial creator of the NIZ and designated the initial boundaries of the NIZ as required by the NIZ Act. In addition, in 2011, ACIDA incurred the initial debt under the NIZ Act to finance certain property acquisitions for the site of the arena and related development projects.

On October 2, 2012, ANIZDA and ACIDA entered into an asset purchase agreement whereby all NIZ-related assets were acquired by ANIZDA. In addition, ANIZDA assumed all liabilities relating to the ownership of the real property and all contracts entered into by ACIDA.

Basis of Accounting

The term "basis of accounting" is used to determine when a transaction or event is recognized on ANIZDA's operating statement. ANIZDA uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

ANIZDA applies all relevant principles as identified in the GASB Codification. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and accounting principles generally accepted in the United States of America.

Basis of Presentation

ANIZDA's accounts are organized as an enterprise fund. The operations are accounted for with a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Use of Estimates in the Preparation of Financial Statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash Equivalents

Cash equivalents include all deposit accounts and highly liquid investments in money market mutual funds.

Investments

Investments are recorded at fair value.

In establishing the fair value of investments, ANIZDA uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Net Position

The financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, ANIZDA's policy is to apply restricted net position first.

Restricted net position consists of NIZ revenues restricted for the payment of debt service on the bonds or obligations issued to finance improvements and developments within the NIZ per the NIZ Act.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounts Receivable

Accounts receivable are stated at net realizable value. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms.

Management's estimate of the allowance for uncollectible accounts receivable is based on historical collection rates and an analysis of the collectability of individual receivables. The allowance for uncollectible accounts was \$0 as of December 31, 2023 and 2022.

Capital Assets

ANIZDA defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Capital assets of ANIZDA are recorded at their actual cost. Donated assets are valued at their estimated fair value on the date donated. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Depreciation is computed using the straight-line method over estimated asset lives as follows:

Buildings	40 years
Land improvements	15 - 40 years
Equipment	5 - 15 years
Leasehold improvements	10 - 40 years
Office equipment	5 - 7 years

Major additions and betterments are capitalized while expenses for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred.

Bonds Payable

In the financial statements, bonds payable are reported as liabilities. The bond premium is deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed when incurred.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense) until that time. ANIZDA currently has two items that qualify for reporting in this category. Cumulative rents received from the arena lease in excess of the cumulative amount recognized as

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

revenue using the straight-line method over the life of the lease are reflected as deferred inflows of resources on the statement of net position. In addition, deferred amounts on the refunding of bonds are reflected as deferred inflows and outflows of resources on the statement of net position.

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with ANIZDA's principal ongoing operations. The principal operating revenues of ANIZDA include NIZ Revenue, developer fees and arena rents. Operating expenses include Developer Dedicated NIZ Revenue, parking management and maintenance fees, depreciation expense, and other administrative costs. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

NOTE 2 DEPOSITS AND INVESTMENTS

ANIZDA is allowed to invest in certain qualified investments as defined by the Amended and Restated Master Trust Indenture for its bonds. Subject to certain limitations and credit ratings, qualified investments include:

- Cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with direct obligations of the United States of America).
- Direct obligations of the United States of America.
- Obligations of federal agencies backed by the full faith and credit of the United States of America.
- Obligations of federal agencies not fully guaranteed by the full faith and credit of the United States of America.
- U.S. dollar denominated deposit accounts, federal funds, and bankers' acceptances.
- Domestic commercial paper.
- Domestic money market mutual funds.
- Demand deposits, including interest-bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit or bankers acceptances.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

- General obligations of states.
- Shares in the Pennsylvania Local Government Investment Trust ("PLGIT").

Deposits

At December 31, 2023, the carrying amount of ANIZDA's deposits was \$15,173,887, and the bank balance was \$14,926,674. Of the bank balance, \$500,000 was insured by federal depository insurance, and \$7,332,072 was collateralized by pooled securities in accordance with Act 72 of 1971 ("Act 72"). At December 31, 2022, the carrying amount of ANIZDA's deposits was \$14,857,060, and the bank balance was \$13,912,526. Of the bank balance, \$5,324,271 was insured by federal depository insurance, and \$2,646,252 was collateralized by pooled securities in accordance with Act 72 of 1971 ("Act 72"). To the extent that deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States of America, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. The deposits collateralized in accordance with Act 72 were exposed to custodial credit risk because they were uninsured, and the collateral held by the depository's agent was not in ANIZDA's name.

As of December 31, 2023 and 2022, \$6,352,295 and \$5,551,131, respectively, of ANIZDA's deposits were in the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2023 and 2022, PLGIT was rated as AAAM by a nationally recognized statistical rating agency.

As of December 31, 2023 and 2022, \$742,307 and \$390,872, respectively, of ANIZDA's deposits were invested in a domestic money market mutual fund managed by Goldman Sachs. Goldman Sachs is registered with the Securities and Exchange Commission and subject to regulatory oversight. The objective of the fund is to maintain a stable net asset value of \$1 per share. In addition, the fund is rated by nationally recognized rating organizations (Moody's Investors Service rating of Aaa-mf and Standard & Poor's rating of AAAM as of December 31, 2023 and 2022) and is subject to an independent annual audit.

Investments

As of December 31, 2023 and 2022, ANIZDA held investments in the amount of \$26,135,719 and \$25,232,287, respectively.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

The investments and maturities as of December 31, 2023 are summarized in the following chart:

Investment Type	Fair Value	Level 1	Maturities	
			Less Than One year	One to Five Years
U.S. Treasury notes	\$15,492,471	\$15,492,471	\$ 128,812	\$15,363,659
U.S. Agency notes	10,643,248	10,643,248	-	10,643,248
TOTAL	\$26,135,719	\$26,135,719	\$ 128,812	\$26,006,907

The investments and maturities as of December 31, 2022 are summarized in the following chart:

Investment Type	Fair Value	Level 1	Maturities	
			Less Than One year	One to Five Years
U.S. Treasury notes	\$14,939,401	\$14,939,401	\$10,729,684	\$ 4,209,717
U.S. Agency notes	10,292,886	10,292,886	-	10,292,886
TOTAL	\$25,232,287	\$25,232,287	\$10,729,684	\$14,502,603

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, ANIZDA will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2023 and 2022, none of ANIZDA's investments were subject to custodial credit risk.

Interest Rate Risk

The Master Trust Indenture and Amended and Restated Master Trust Indenture do not limit the maturity dates of investments. As of December 31, 2023 and 2022, all of ANIZDA's investments mature at various times through 2025.

Credit Risk

The Master Trust Indenture and Amended and Restated Master Trust Indenture do not limit the credit ratings of investments.

As of December 31, 2023 and 2022, ANIZDA's investments in U.S. Treasury notes and U.S. Agency notes (Federal Home Loan Banks, Federal Home Loans Mortgage Corp) are rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEVELOPMENT OF THE ARENA BLOCK

City Center Investment Corporation ("CCIC"), Hammes Company Sports Development, Inc., the City, ANIZDA (successor to ACIDA by assignment), and City Center Wholesale LLC have entered into an Amended and Restated Arena Block Master Development Agreement, dated October 1, 2012, effective as of June 15, 2012, as amended. This agreement sets forth the terms amongst the parties for the purpose of coordinating various development, planning, permitting, and financing activities necessary to construct a mixed-use facility on a portion of the Arena Block, including the Arena Project. The Arena Block is located within the NIZ as defined in Note 1.

The Arena Project was the first phase of the development on the Arena Block, which was completed during 2014. The Arena Project includes a multipurpose arena (8,500 seats for hockey, with up to 10,000 seats for concerts), parking facilities, land acquisitions, site improvements, and the development of supporting infrastructure.

ANIZDA declared the Arena Block to be a condominium form of ownership, and the property was converted into nine separate units, all individually owned. The Condominium Instrument provides for the units to be numbered as Unit One ("the Arena Building"), Unit Two ("the Office Building"), Unit Three ("the Hotel"), Unit Four ("the North Parking Deck"), Unit Five ("the South Parking Structure"), Unit Six ("the Commercial Unit"), Unit Seven ("the Retail Unit"), Unit Eight ("the Arena Side Commercial Unit"), and Unit Nine ("the Streetside Commercial Unit").

ANIZDA retains ownership of the Arena Building, the North Parking Deck, the South Parking Structure, the Retail Unit, and the Arena Side Commercial Unit, which were completed in 2014. The Office Building, the Hotel, the Commercial Unit and the Streetside Commercial Unit are owned by CCIC. CCIC financed these projects separately.

NOTE 4 ARENA LEASE

ANIZDA (successor to ACIDA by assignment) has entered into an agreement with BDH Development LLC ("the Arena Operator") for the lease of the arena and all installed equipment. The lease, which was amended in 2014, commenced on September 1, 2014 for an initial lease period of 29 years with two 10-year renewal options. The Arena Operator has an option to purchase the arena at the end of the lease term at a purchase price of 120 percent of the total arena development costs or fair market value, whichever is greater.

Under the terms of the agreement, the Arena Operator shall use and operate the arena for hosting all American Hockey League ("AHL") home games for the Phantoms, other AHL events, concerts, trade shows, and other events. All costs, charges, and expenses relating to the use, occupancy, repair, and maintenance of the arena, including but not limited to assessments for improvements, utilities and services, insurance, operation, maintenance, and repairs shall be paid by the Arena Operator. The Arena Operator is entitled to receive and retain all

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 ARENA LEASE (cont'd)

revenues (net of applicable taxes) from all events except for community events. The Arena Operator will also receive all revenues from sponsorship, naming rights and signage on or inside the arena.

ANIZDA shall establish a capital reserve fund as a segregated fund separate and apart from other funds received from the Operator. The Arena Operator will make deposits to the fund annually for qualified capital repairs and capital improvements, and non-routine maintenance or repairs.

As of December 31, 2023, the minimum rental payments under the leasing arrangement to be received are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 270,588	\$ 76,079	\$ 346,667
2025	79,405	70,595	150,000
2026	82,229	67,771	150,000
2027	85,153	64,847	150,000
2028	88,004	61,996	150,000
2029-2033	490,067	259,933	750,000
2034-2038	583,682	166,318	750,000
2039-2043	644,962	55,038	700,000
	<u>\$ 2,324,090</u>	<u>\$ 822,577</u>	<u>\$ 3,146,667</u>

Revenue recognized under this lease for the years ended December 31, 2023 and 2022 was \$252,956 for both years. In addition, as of December 31, 2023 and 2022, a deferred inflow of resources in the amount of \$4,974,787 and \$5,227,742, respectively, was recognized for cumulative rents received in excess of the cumulative amount recognized as revenue under the straight-line method.

NOTE 5 PARKING FACILITY

ANIZDA has entered into an agreement with the Office and Hotel Developers for shared use with the Arena Operator of the parking facilities owned by ANIZDA. An exception is during arena events where the Arena Operator has sole use of a limited number of spaces in the parking facility. Under the terms of the agreement, ANIZDA will be responsible for the operation of the parking facilities and all repairs and maintenance.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PARKING FACILITY (cont'd)

ANIZDA will be compensated with a monthly management fee which will be equal to the direct operating costs and expenses of the parking facilities. This agreement commenced on September 1, 2014, shall continue for a period of 30 years, and shall automatically renew for additional three-year terms unless otherwise terminated by ANIZDA or the Office and Hotel Developers.

On December 31, 2021, to be effective as of January 1, 2022, ANIZDA entered into an agreement with Global Spectrum, L.P., d/b/a Spectra Venue Management ("Spectra"), as agent on behalf of BDH Development LLC for the management and maintenance of the parking facilities. The agreement term is for five years ending January 1, 2027. Per the terms of the agreement, ANIZDA will compensate Spectra with a monthly maintenance fee of \$4,635 for the services provided in the first year of the agreement. In each subsequent year, the maintenance fee shall increase by 3 percent over the prior year. In addition, ANIZDA shall compensate Spectra with a monthly management fee of \$3,167 during the first year of the agreement and in each subsequent year, the management fee shall increase by 3 percent over the prior year.

NOTE 6 CAPITAL ASSETS

A summary of changes in ANIZDA's capital assets is as follows:

	2023			Balance 12/31/23
	Balance 1/1/23	Additions	Deletions	
Assets not being depreciated:				
Land	\$ 42,483,747	\$ -	\$ -	\$ 42,483,747
Total assets not being depreciated	\$ 42,483,747	\$ -	\$ -	\$ 42,483,747
Assets being depreciated:				
Buildings	158,433,789	198,851	-	158,632,640
Land improvements	941,918	-	-	941,918
Equipment	20,233,614	-	-	20,233,614
Leasehold improvements	106,691	-	-	106,691
Office equipment	23,195	2,715	-	25,910
Total assets being depreciated	179,739,207	201,566	-	179,940,773
Accumulated depreciation	(50,191,632)	(6,021,717)	-	(56,213,349)
Total assets being depreciated, net	129,547,575	(5,820,151)	-	123,727,424
CAPITAL ASSETS, NET	\$172,031,322	\$ (5,820,151)	\$ -	\$166,211,171

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL ASSETS (cont'd)

	2022			Balance 12/31/22
	Balance 1/1/22	Additions	Deletions	
Assets not being depreciated:				
Land	\$ 42,483,747	\$ -	\$ -	\$ 42,483,747
Total assets not being depreciated	<u>42,483,747</u>	<u>-</u>	<u>-</u>	<u>42,483,747</u>
Assets being depreciated:				
Buildings	158,433,789	-	-	158,433,789
Land improvements	941,918	-	-	941,918
Equipment	20,233,614	-	-	20,233,614
Leasehold improvements	106,691	-	-	106,691
Office equipment	23,195	-	-	23,195
Total assets being depreciated	<u>179,739,207</u>	<u>-</u>	<u>-</u>	<u>179,739,207</u>
Accumulated depreciation	<u>(44,179,720)</u>	<u>(6,011,912)</u>	<u>-</u>	<u>(50,191,632)</u>
Total assets being depreciated, net	<u>135,559,487</u>	<u>(6,011,912)</u>	<u>-</u>	<u>129,547,575</u>
CAPITAL ASSETS, NET	<u>\$178,043,234</u>	<u>\$ (6,011,912)</u>	<u>\$ -</u>	<u>\$172,031,322</u>

NOTE 7 BONDS PAYABLE

On October 2, 2012, ANIZDA issued Tax Revenue Bonds Series of 2012A and 2012B in the aggregate of \$224,380,000 (Series of 2012A - \$183,955,000 non-taxable and Series of 2012B - \$40,425,000 taxable), collectively referred to as "the bonds." The bonds were issued for the purpose of providing funds to develop the Arena Project. The bonds mature through May 1, 2042 and require semi-annual interest payments on May 1 and November 1 of each year, and annual principal payments on May 1 of each year. Interest rates on the bonds ranged from 4.12 percent to 5.67 percent. The bonds were secured by the NIZ revenues and rent payments made by the Arena Operator as described in Note 4. The Tax Revenue Bonds Series of 2012A and 2012B were refunded in fiscal 2022 and 2021, respectively.

On August 17, 2021, ANIZDA issued Tax Revenue Refunding Bonds, Series of 2021 in the amount of \$14,695,000 to currently refund all of the Series of 2012B bonds outstanding. The bonds mature through May 1, 2024 and require semi-annual interest payments on May 1 and November 1 of each year, and annual principal payments on May 1 of each year. Interest rates on the bonds range from 1.73 percent to 2.10 percent. The bonds are secured by the NIZ revenues.

In August 2021, ANIZDA executed a bond purchase agreement approving the terms and provisions of its Tax Revenue Refunding Bonds, Series of 2022 (Forward Delivery) to allow for the issuance of Series 2022 Bonds to currently refund all the outstanding Tax Revenue Bonds Series of 2012A and to pay the costs of issuing the bonds. In February 2022, ANIZDA issued the Tax Revenue Refunding Bonds, Series of 2022 in the amount of \$151,000,000. The bonds

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 BONDS PAYABLE

mature through May 1, 2042 and require semi-annual interest payments on May 1 and November 1 of each year, and annual principal payments on May 1 of each year. The interest rates of the Tax Revenue Refunding Bonds, Series of 2022 is 5.000 percent. The bonds are secured by the NIZ revenues.

A schedule of the changes in the bonds payable for the year ended December 31, 2023 is as follows:

	Outstanding 1/1/23	Additions	Deletions	Outstanding 12/31/23	Amount Due in One Year
Bonds payable	\$ 159,065,000	\$ -	\$ 4,905,000	\$ 154,160,000	\$ 5,030,000
Bond premium	35,249,330	-	1,823,241	33,426,089	1,823,241
Total	<u>\$ 194,314,330</u>	<u>\$ -</u>	<u>\$ 6,728,241</u>	<u>\$ 187,586,089</u>	<u>\$ 6,853,241</u>

A schedule of the changes in the bonds payable for the year ended December 31, 2022 is as follows:

	Outstanding 1/1/23	Additions	Deletions	Outstanding 12/31/22	Amount Due in One Year
Bonds payable	\$ 198,650,000	\$151,000,000	\$190,585,000	\$ 159,065,000	\$ 4,905,000
Bond premium	6,001,673	36,920,634	7,672,977	35,249,330	1,823,241
Total	<u>\$ 204,651,673</u>	<u>\$187,920,634</u>	<u>\$198,257,977</u>	<u>\$ 194,314,330</u>	<u>\$ 6,728,241</u>

The bonds mature as follows:

December 31,	Principal	Interest	Total
2024	\$ 5,030,000	\$ 7,536,430	\$ 12,566,430
2025	5,240,000	7,325,500	12,565,500
2026	5,505,000	7,056,875	12,561,875
2027	5,790,000	6,774,500	12,564,500
2028	6,085,000	6,477,625	12,562,625
2029 - 2033	35,445,000	27,373,875	62,818,875
2034 - 2038	45,510,000	17,305,000	62,815,000
2039 - 2042	45,555,000	4,697,625	50,252,625
Totals	<u>\$ 154,160,000</u>	<u>\$ 84,547,430</u>	<u>\$ 238,707,430</u>

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 CONDUIT DEBT

On February 24, 2020, ANIZDA entered into a loan agreement with ESSA Bank & Trust in the amount of \$16,753,997 for the purpose of refinancing two existing loans for EPC Allentown, LLC (a construction loan dated January 31, 2013 with an original principal amount of up to \$10,000,000 and a construction loan dated May 25, 2016 with an original principal amount of up to \$13,515,000, both payable to BB&T). In December 2022, a loan modification was entered into, and the loan increased by \$2,500,000. ANIZDA also entered into promissory notes providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. This loan is non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of this loan was \$17,322,381 and \$17,897,028, respectively.

On February 13, 2013, ANIZDA entered into a construction loan agreement with BB&T (formerly National Penn Bank) in the amount of \$135,000,000 for the purpose of assisting with the financing needs of CCIC. The loan was increased to \$185,000,000 in October 2014 and to \$325,000,000 in August 2016 and reduced to \$125,000,000 in July 2017. In November 2021, the Accordion 1 to the agreement was exercised, and the loan increased by \$25,000,000. In June 2022, the Accordion 2 to the agreement was exercised, and the loan increased by \$25,000,000. In April 2023, the Accordion 2 to the agreement was exercised, and the loan increased by \$25,000,000. Again, in December 2023, the Accordion 2 to the agreement was exercised, and the loan increased by an additional \$25,000,000. ANIZDA also entered into promissory notes providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. During 2018, this debt was purchased by M&T Bank from BB&T. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. This loan is a non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of this loan was \$58,386,429 and \$31,921,180, respectively.

On October 11, 2013, ANIZDA entered into a construction loan agreement with BB&T (formerly National Penn Bank) in the amount of \$7,400,000 for the purpose of assisting with the financing needs of Schoens Allentown, LLC. During 2020, this debt was refinanced with Peoples Security Bank and Trust Company. ANIZDA also entered into promissory notes providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. This loan is a non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of this loan was \$4,853,524 and \$5,081,918, respectively.

On July 29, 2014, ANIZDA entered into a construction loan agreement with BB&T (formerly National Penn Bank) in the amount of \$4,800,000 for the purpose of assisting with the financing

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 CONDUIT DEBT (cont'd)

needs of Sacred Heart. During 2017, this debt was purchased by St. Luke's Hospital of Bethlehem, Pennsylvania from BB&T, as such the debt balances are with St. Luke's Hospital. ANIZDA also entered into a promissory note providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. This loan is non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of this loan was \$3,657,879 and \$3,807,125, respectively.

On December 19, 2016, ANIZDA entered into a construction loan agreement with ESSA Bank and Trust in the amount of \$5,300,000 for the purpose of assisting with the financing needs of the Allentown Parking Authority. ANIZDA also entered into promissory notes providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. This loan is non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of this loan was \$2,793,043 and \$3,039,048, respectively.

On June 15, 2017, ANIZDA issued Tax Revenue Bonds Series of 2017 in the amount of \$210,165,000 for the purpose of refunding certain indebtedness previously issued by ANIZDA to fund improvements within the NIZ relating to projects developed by CCIC. ANIZDA also entered into an Indenture providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this bond other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this bond is not reported as a liability in ANIZDA's financial statements. This bond is non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of this bond was \$184,440,000 and \$190,110,000 respectively.

On December 22, 2017, ANIZDA entered into a construction loan agreement with Peoples Security Bank & Trust in the amount of \$2,478,223 for the purpose of assisting with the financing needs of the Trust Building, Inc. and Vault 634, LLC. ANIZDA also entered into promissory notes providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. This loan is non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of this loan was \$2,131,354 and \$2,220,663, respectively.

On April 18, 2018, ANIZDA issued Tax Revenue Bonds Series of 2018 in the amount of \$99,690,000 for the purpose of refunding certain indebtedness previously issued by ANIZDA to

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 CONDUIT DEBT (cont'd)

fund improvements within the NIZ relating to projects developed by CCIC. ANIZDA also entered into an Indenture providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for these bonds other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, these bonds are not reported as a liability in ANIZDA's financial statements. These bonds are non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of these bonds was \$89,460,000 and \$92,215,000, respectively.

On June 19, 2018, ANIZDA entered into a construction loan agreement with First Keystone Community Bank in the amount of \$9,000,000 for the purpose of assisting with the financing needs of Americus Investors, LP and Americus Hotel, LLC. ANIZDA also entered into promissory notes providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. This loan is non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of this loan was \$8,362,723 and \$8,662,085, respectively.

On December 28, 2018, ANIZDA issued Subordinate Tax Revenue Bonds Series of 2018 in the amount of \$147,995,000 for the purpose of refunding certain indebtedness previously issued by ANIZDA to fund improvements within the NIZ relating to projects developed by CCIC. ANIZDA also entered into an Indenture providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for these bonds other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, these bonds are not reported as a liability in ANIZDA's financial statements. These bonds are non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of these bonds was \$133,045,000 and \$137,065,000, respectively.

On January 25, 2021, ANIZDA issued \$61,455,000 in Senior Tax Revenue Bonds, Series of 2021 (615 Waterfront Project) for the purpose of assisting the financing needs of The Waterfront Development Company. ANIZDA also entered into an Indenture providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. These bonds are non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of these bonds was \$57,135,000 and \$58,700,000, respectively.

On June 7, 2022, ANIZDA issued Subordinate Tax Revenue Bonds Series of 2022 in the amount of \$116,000,000 for the purpose of financing and refinancing projects developed by CCIC within the NIZ. ANIZDA also entered into an Indenture providing for withdrawal of funds from

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NOTES TO FINANCIAL STATEMENTS

NOTE 8 CONDUIT DEBT (cont'd)

the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for these bonds other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, these bonds are not reported as a liability in ANIZDA's financial statements. These bonds are non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of these bonds was \$114,940,000 and \$116,000,000.

On December 14, 2022, ANIZDA entered into a loan agreement with Fulton Bank in the amount of \$11,950,000 for the purpose of assisting with the financing needs of the DaVinci Science Center. The loan agreement provides the terms of the pass through of gaming funds for the purpose of paying down the loan. ANIZDA will have no liability for this loan. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. This loan is non-recourse debt to ANIZDA. As of December 31, 2023 and 2022, the balance of this loan was \$10,250,000 and \$11,950,000.

On December 14, 2022, ANIZDA entered into a loan agreement with Fulton Bank in the amount of \$5,500,000 for the purpose of assisting with the financing needs of the DaVinci Science Center. ANIZDA also entered into promissory notes providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. This loan is non-recourse debt to ANIZDA. The bank balance was \$5,500,000 as of December 31, 2023 and 2022, respectively.

On December 13, 2023, ANIZDA issued Subordinate Tax Revenue Bonds Series of 2023 in the amount of \$25,935,000 for the purpose of financing the Neuweilers Lofts Project. ANIZDA also entered into an Indenture providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this loan other than the allocation of the Developer Dedicated NIZ Revenue. Accordingly, this loan is not reported as a liability in ANIZDA's financial statements. These bonds are non-recourse debt to ANIZDA. As of December 31, 2023, the balance of this loan was \$25,935,000.

NOTE 9 ALLOCATION GUARANTY

On November 2, 2021, ANIZDA entered into an obligation providing a guaranty of allocation with People's Security Bank & Trust Company for the purpose of assisting with the financing needs of Lehigh River Development Corp. I, LLC and Lehigh River Development Corp. II, LLC. The guaranty was security for the loan and a limited obligation of ANIZDA to allocate funds to the escrow account payable solely from the project tax revenues. As of December 31, 2022, the balance of this obligation was 4,800,000. In December 2023, this agreement was mutually terminated by all parties.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 NIZ REVENUES AND DEVELOPER DEDICATED NIZ REVENUE

The Commonwealth transfers NIZ revenues attributed to the previous calendar year to ANIZDA each March. In addition, as disclosed in Notes 8 and 9, ANIZDA provides an allocation of NIZ revenues (“Developer Dedicated NIZ Revenue”) to lenders and bondholders of private developers for the purpose of paying down their loans and bonds on approved capital projects in the NIZ. The purpose of this subsidy is to encourage development in the NIZ.

As of December 31, 2023, ANIZDA was due \$80,972,570 (net of \$22,000,000 due back to the Commonwealth based on the determination of excess NIZ revenue for calendar year 2023, as defined by the Amended and Restated Master Trust Indenture) from the Commonwealth for the 2023 calendar tax year. The \$22,000,000 in excess NIZ revenue for calendar year 2023 was paid to the Commonwealth in May 2024 and accrued in the 2023 financial statements.

As of December 31, 2022, ANIZDA was due \$69,551,799 (net of \$22,000,000 due back to the Commonwealth based on the determination of excess NIZ revenue for calendar year 2022, as defined by the Amended and Restated Master Trust Indenture) from the Commonwealth for the 2022 calendar tax year. The \$22,000,000 in excess NIZ revenue for calendar year 2022 was paid in April 2023 and accrued in the 2022 financial statements. An additional \$2,483,000 in year-end excess NIZ revenue was remitted to the Commonwealth and \$117,000 to the City of Allentown related to calendar year 2022. The remittances of these funds occurred in 2023 and are reflected in the 2023 financial statements.

Calendar year 2023 Developer Dedicated NIZ Revenue amounted to \$55,889,934, and calendar year 2022 Developer Dedicated NIZ Revenue amounted to \$50,973,734. Both amounts have been reflected as liabilities called Developer Dedicated NIZ Revenue payable in ANIZDA’s statement of net position as of December 31, 2023 and 2022, respectively.

NOTE 11 RESTRICTED ASSETS

As of December 31, 2023 and 2022, restricted cash equivalents and investments in the amount of \$30,460,619 and \$29,978,644, respectively, are restricted for the repayment of debt in accordance with the Master Trust Indenture and the Amended and Restated Master Trust Indenture, respectively, and specific projects within the Neighborhood Improvement Zone.

NOTE 12 NET INVESTMENT IN CAPITAL ASSETS

A schedule of net investment in capital assets as of December 31, 2023 is as follows:

Total capital assets, net	\$ 166,211,171
Less: bonds payable, net	(187,586,089)
Less: deferred inflows of resources (debt refunding)	(5,433,613)
Plus: deferred outflows of resources (debt refunding)	<u>118,822</u>
Total Net Investment in Capital Assets	<u>\$ (26,689,709)</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 12 NET INVESTMENT IN CAPITAL ASSETS (cont'd)

A schedule of net investment in capital assets as of December 31, 2022 is as follows:

Total capital assets, net	\$ 172,031,322
Less: bonds payable, net	(194,314,330)
Less: deferred inflows of resources (debt refunding)	(5,729,992)
Plus: deferred outflows of resources (debt refunding)	<u>475,284</u>
Total Net Investment in Capital Assets	<u>\$ (27,537,716)</u>

NOTE 13 PUBLIC IMPROVEMENT INVESTMENT PROGRAM

ANIZDA has entered into agreements with project sponsors and public property owners under the ANIZDA Public Improvement Investment Program. Under these agreements, ANIZDA will provide funding for public improvement projects. During the years ended December 31, 2023 and 2022, ANIZDA incurred expenses amounting to \$4,213,134 and \$4,372,762, respectively, related to public improvement projects. These expenses have not been capitalized as ANIZDA only acts as a funding agent for the cost of construction and will have no responsibility for maintenance or upkeep after completion of the projects.

NOTE 14 REVOLVING CREDIT FACILITY

On December 29, 2017, ANIZDA opened a revolving credit facility in the amount of \$10,000,000 with Peoples Security Bank & Trust secured by ANIZDA's capital projects fund with a maturity date of May 31, 2020. During 2020, the terms of the credit facility were modified, extending the maturity date to June 15, 2025. Outstanding amounts bear interest at a rate equal to the SOFR (5.38 percent at December 31, 2023) plus two and three quarters percent (2.75 percent) per annum. However, the interest rate charged shall in no event be less than three and one quarter percent (3.25 percent). The annual payment on the credit facility shall be an amount equal to the lesser of the outstanding facility proceeds, or \$2,000,000 plus, if ANIZDA shall so request at its discretion, an amount equal to any shortfall in payment in any prior year which is still outstanding including fees and charges. The outstanding balance on this credit facility was \$4,021,497 and \$4,096,666 at December 31, 2023 and 2022, respectively.

NOTE 15 CONTINGENCY

ANIZDA is subject to various disputes and legal proceedings which arise in the normal course of its operations. In the opinion of management, the amount of ultimate liability with respect to these activities will not be material to ANIZDA's financial condition. At December 31, 2023, there were no contingencies reported.

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 16 SUBSEQUENT EVENTS

On January 30, 2024, ANIZDA issued Tax Revenue Bonds Series of 2024 in the amount of \$78,915,000 for the purpose of providing funds for a project consisting of the financing and refinancing of a portion of the development, renovation, improvement and construction and related costs of an event center to be known as the Archer Music Hall and the cost of renovations and additions to a mixed-use office/retail plan for 702 Hamilton Street, known as One Center Square. ANIZDA also entered into an Indenture providing for withdrawal of funds from the escrow account created under the Amended and Restated Escrow Agreement which provides an allocation of NIZ revenues for the purpose of paying down the loan. ANIZDA will have no liability for this bond other than the allocation of the Developer Dedicated NIZ Revenue.

ANIZDA has evaluated all subsequent events through May 30, 2024, the date the financial statements were available to be issued.