

READING TERMINAL MARKET CORPORATION
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

READING TERMINAL MARKET CORPORATION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Reading Terminal Market Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Reading Terminal Market Corporation which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reading Terminal Market Corporation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Reading Terminal Market Corporation's 2016 financial statements, and we expressed an unqualified audit opinion on those audited financial statements in our report dated September 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 18 and 19 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marcum LLP

Philadelphia, PA
September 26, 2017

READING TERMINAL MARKET CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
Assets		
Cash and cash equivalents, unrestricted	\$ 1,015,535	\$ 1,429,190
Cash and cash equivalents, restricted	255,460	296,397
Investments, including restricted amount of \$250,000 as of June 30, 2017 and 2016	1,470,952	917,072
Accounts receivable, tenants, net of allowance for doubtful accounts of \$10,000 as of June 30, 2017 and 2016	120,267	92,659
Grant receivable, temporarily restricted	--	84,764
Receivable, other	36,145	59,841
Prepaid expenses	75,277	63,813
Capital improvements, net	4,485,417	4,516,734
Equipment, net	31,872	55,660
	<u>\$ 7,490,925</u>	<u>\$ 7,516,130</u>
Liabilities and Net Assets		
Liabilities		
Notes payable, net	\$ 3,093,926	\$ 3,280,867
Accounts payable and accrued expenses	488,061	546,136
Tenants' security deposits	157,123	155,309
Deferred rental income	20,000	-
Gift card program	184,695	144,020
Total Liabilities	<u>3,943,805</u>	<u>4,126,332</u>
Net Assets		
Unrestricted		
Operating reserve	795,420	1,015,824
Capital improvements and equipment, net of related debt	1,423,363	1,259,540
Board designated capital replacement reserve	1,230,000	888,582
Net Assets, Unrestricted	3,448,783	3,163,946
Net Assets, Temporarily Restricted	98,337	225,852
Total Net Assets	<u>3,547,120</u>	<u>3,389,798</u>
Total Liabilities and Net Assets	<u>\$ 7,490,925</u>	<u>\$ 7,516,130</u>

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

READING TERMINAL MARKET CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2017

(With Summarized Comparative Information for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenues from operations:				
Base rent	\$ 658,457	\$ --	\$ 658,457	\$ 626,119
Common area maintenance	2,955,824	--	2,955,824	2,884,071
Utility reimbursement	709,912	--	709,912	699,724
Storage revenue	324,867	--	324,867	296,195
Real estate taxes	62,521	--	62,521	57,848
ATM commissions	74,400	--	74,400	74,400
Contribution and grant revenue	--	16,000	16,000	254,764
Fundraising event, net of expenses of \$66,217 and \$60,986 for 2017 and 2016, respectively	164,550	--	164,550	148,128
Other income	22,792	--	22,792	13,357
Sponsorship revenue	10,200	--	10,200	--
Gift card income	25,000	--	25,000	25,000
Merchandise sales	8,805	--	8,805	--
Interest income	5,290	--	5,290	7,762
Net assets released from restriction	143,515	(143,515)	--	--
	<u>5,166,133</u>	<u>(127,515)</u>	<u>5,038,618</u>	<u>5,087,368</u>
Expenses from operations:				
General and administrative	1,513,683	--	1,513,683	1,455,825
Facilities	1,425,020	--	1,425,020	1,366,780
Utilities	943,919	--	943,919	969,511
Real estate taxes	63,550	--	63,550	58,691
Liability insurance	148,747	--	148,747	160,489
Depreciation and amortization	512,546	--	512,546	467,780
Program expense	143,515	--	143,515	151,607
Loss on disposal of assets	--	--	--	11,047
Interest expense	130,316	--	130,316	130,225
	<u>4,881,296</u>	<u>--</u>	<u>4,881,296</u>	<u>4,771,955</u>
Change in Net Assets	284,837	(127,515)	157,322	315,413
Net Assets - Beginning	<u>3,163,946</u>	<u>225,852</u>	<u>3,389,798</u>	<u>3,074,385</u>
Net Assets - Ending	<u>\$ 3,448,783</u>	<u>\$ 98,337</u>	<u>\$ 3,547,120</u>	<u>\$ 3,389,798</u>

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

READING TERMINAL MARKET CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	\$ 157,322	\$ 315,413
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	512,546	467,780
Loss on disposal of equipment	--	11,047
Amortization of debt issuance costs	2,556	2,508
Changes in operating assets and liabilities:		
Accounts receivable, tenants	(27,608)	(4,676)
Receivable, other	23,696	13,155
Grant receivable	84,764	(24,764)
Prepaid expenses	(11,464)	5,489
Accounts payable and accrued expenses	(58,075)	165,336
Deferred rental income	20,000	--
Tenants' security deposits	1,814	1,194
Gift card program	40,675	47,518
	746,226	1,000,000
Cash Flows from Investing Activities		
Acquisition of capital improvements and equipment	(457,441)	(1,256,114)
Proceeds from sale of investments	--	253,553
Purchase of investments	(553,880)	(104,006)
	(1,011,321)	(1,106,567)
Cash Flows from Financing Activities		
Proceeds from long-term debt	--	963,094
Repayment of debt	(189,497)	(157,193)
	(189,497)	805,901
Net (Decrease) Increase in Cash and Cash Equivalents	(454,592)	699,334
Cash and Cash Equivalents - Beginning	1,725,587	1,026,253
Cash and Cash Equivalents- Ending	\$ 1,270,995	\$ 1,725,587

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest	\$ 127,760	\$ 127,717

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

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Reading Terminal Market Corporation (the “Corporation”), which was incorporated and commenced operations in 1995, was created exclusively to preserve and maintain the historic character and manage the operations of the Reading Terminal Market located in Philadelphia, Pennsylvania.

BASIS OF PRESENTATION

The Corporation prepares its financial statements on the accrual basis of accounting and, accordingly, records its revenue and expenses in the period earned or incurred.

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor imposed stipulations that will be met either by actions of the Corporation, the passage of time, or with respect to long-lived assets, when placed into service.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor are fulfilled or otherwise removed by the Corporation’s actions. Currently, the Corporation has no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Grants, gifts of cash, and other assets are reported as restricted revenue, if they are received with donor stipulations that limit the use of the donated assets. When a temporarily restricted contribution and/or grant expires, (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted contributions and grants whose restrictions are met within the same year as received are reflected as unrestricted contributions and/or grants in the accompanying financial statements.

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

The Corporation recognizes rental revenue on a straight line basis. Common area maintenance charges, utilities, and any other service charges with merchants are recognized as revenue when earned.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, cash equivalents include investments in highly liquid funds that invest in U.S. government securities and municipal money market securities. These investments are readily convertible into cash.

CASH AND CASH EQUIVALENTS, RESTRICTED

Cash and cash equivalents are reported as restricted if the cash received is subject to donor imposed stipulations that will be met either by actions of the Corporation, the passage of time, or with respect to long-lived assets, when placed into service. Security deposits from tenants on leases are also classified as restricted cash.

TENANT ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Tenant's accounts receivable are stated at the amount the Corporation expects to collect. The Corporation maintains allowances for doubtful accounts for estimated losses resulting from the inability of its tenants to make required payments. Management considers the following factors when determining the collectability of specific tenant accounts: tenant credit-worthiness, past transaction history with the tenant, current economic industry trends, and changes in tenant payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Corporation's tenants were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Corporation provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Corporation has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are reported at their fair values in the statements of financial position (see Note 3). Realized and unrealized gains and losses are included in the statement of activities and changes in net assets. Investment income and gains and losses are reported as increases in unrestricted net assets unless there are restrictions on the use of the income.

CAPITAL IMPROVEMENTS AND EQUIPMENT

Capital improvements and equipment are carried at cost less accumulated depreciation. The Corporation's policy is to capitalize all assets purchased greater than a \$1,000. Normal maintenance and repairs are charged to expense as incurred and costs of major additions and betterments are capitalized. When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities and changes in net assets. Depreciation is provided for on straight-line method over the estimated useful lives of the related assets as follows:

	<u>Estimated Useful Lives</u>
Capital improvements	5-39 years
Equipment	3-7 years

DEBT ISSUANCE COSTS

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Interest – Imputation of interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". The standard requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability in a manner consistent with the treatment for debt discounts. Prior to the issuance of ("ASU") 2015-03, debt issuance costs were required to be presented as a deferred charge in assets. The amendments in this update do not affect the recognition and measurement guidance for debt issuance costs. In addition, the ASU requires that the amortization of debt issuance costs be reported as interest expense. This ASU is effective for nonpublic entities for first annual period beginning after December 31, 2015. This ASU was applied retroactively to prior periods presented in the financial statements.

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEBT ISSUANCE COSTS (CONTINUED)

As of June 30, 2016, notes payable was previously reported as \$3,312,854 on the statements of financial position with the associated \$31,987 of loan origination fees, net of accumulated amortization in assets.

Debt issuance costs are amortized over the life of the applicable indebtedness using the effective interest method. Debt issuance costs, net of accumulated amortization, amounted to \$29,431 and \$31,987 at June 30, 2017 and 2016, respectively, and are included as a reduction to notes payable in the accompanying statements of financial position.

GIFT CARDS

Gift cards are issued with no expiration date and the Corporation redeems cards presented without a time limitation. A liability is initially established for the cash value of the gift card issued. Income is recognized when the likelihood of the gift card being redeemed by the customer is remote, based upon historical redemption patterns.

MARKETING EXPENSES

Marketing expenses are charged to operations in the year incurred and totaled approximately \$250,000 in 2017 and \$302,000 in 2016.

INCOME TAXES

The Corporation is a nonprofit organization which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Income unrelated to the Corporation's exempt purpose would be subject to federal and state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Reading Terminal Market is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management does not believe there is any unrelated business income.

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The presentation 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.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash and cash equivalents. The Corporation maintains cash and cash equivalents with a bank that at times exceeds applicable insurance limits. As a part of the Corporation's cash management program, cash and cash equivalents include cash on hand and investments in highly liquid funds that invest in U.S. government securities and municipal money market securities. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Corporation reduces its exposure to credit risk by maintaining such deposits with high-quality financial institutions. The Corporation has not experienced losses in such accounts. Exposure to losses on trade receivables is primarily dependent on each customer's financial condition. In order to reduce its credit risk, the Corporation monitors its exposure for credit losses and maintains allowances for anticipated losses.

COMMON AREA MAINTENANCE

As part of the lease terms for the Corporation's tenants, each tenant is responsible to pay a pro-rata share of the annual common area maintenance costs of the Corporation, as defined in the lease agreement. For the years ended June 30, 2017 and 2016, the Board of Directors decided not to charge the tenants for the excess of actual common area maintenance costs incurred over the estimated monthly amounts that were billed for the year.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information. With respect to the statements of activities and changes in net assets, the prior year information is presented in total, not by the net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPARATIVE FINANCIAL INFORMATION (CONTINUED)

the year ended June 30, 2016, from which the summarized information is derived.

RECLASSIFICATION

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications have no effect on previously reported changes in net assets or net assets.

NOTE 2 – CASH AND CASH EQUIVALENTS, UNRESTRICTED AND RESTRICTED

Unrestricted cash consisted of the following:

	2017	2016
Operating	\$830,840	\$ 958,001
Cash requirements for renovation project	--	327,169
Gift certificate redemption	<u>184,695</u>	<u>144,020</u>
Total cash and cash equivalents, unrestricted	<u>\$1,015,535</u>	<u>\$1,429,190</u>

Restricted cash consisted of the following:

	2017	2016
Temporarily restricted	\$ 98,337	\$ 141,088
Tenants' security deposits	<u>157,123</u>	<u>155,309</u>
Total cash and cash equivalents, restricted	<u>\$ 255,460</u>	<u>\$ 296,397</u>

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of money market funds and certificates of deposit. As of June 30, 2017 and 2016, the fair values of investments (which equaled their cost basis) totaled \$1,470,950 and \$917,072, respectively. Investment income earned amounted to \$4,836 and 6,737 for the years ended June 30, 2017 and 2016, respectively.

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value is measured using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Certificates of Deposits are valued based on stated value including accrued interest calculated based on date of maturity.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth within the fair value hierarchy, the Corporation's major categories of level 1 assets. The Corporation's assets measured are fair value as of June 30,

	2017	2016
Money market funds	\$ 352,752	\$1,441
Certificate of deposit, pledged to PIDC as collateral on loan (see note 6)	250,000	\$ 250,000
Money market, Board designated capital reserve	600,000	400,000
Certificates of deposit, unrestricted	<u>268,200</u>	<u>265,631</u>
	<u>\$1,470,952</u>	<u>\$ 917,072</u>

NOTE 4 – RECEIVABLES, OTHER

Receivables, other consisted of the following:

	2017	2016
Tenant improvement loans receivable	\$ 15,652	\$ 25,062
Other receivables	<u>20,493</u>	<u>34,779</u>
Total	<u>\$ 36,145</u>	<u>\$ 59,841</u>

The Corporation has three outstanding loans to tenants to improve their space and equipment. Loans are payable in equal monthly payments over five years which include interest at 2.25%.

The scheduled principal repayments by year as of June 30, 2017 are as follows:

For the Year Ending June 30,	Amount
2018	\$ 7,382
2019	4,769
2020	<u>3,501</u>
Total	<u>\$15,652</u>

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 5 - CAPITAL IMPROVEMENTS AND EQUIPMENT

Capital improvements consisted of the following:

	2016	2015
Capital improvements	\$8,005,058	\$6,560,606
Construction in progress	--	987,635
Less: Accumulated depreciation and amortization	<u>3,519,641</u>	<u>3,031,507</u>
Capital Improvements, net	<u>\$4,485,417</u>	<u>\$4,516,734</u>

In February 2016, the Corporation began a renovation project for a total cost of approximately \$1,220,000. The project was completed in August 2016, at which time the asset was placed in service. The project was partially financed through Beneficial Bank (See Note 6).

Equipment consisted of the following:

	2017	2016
Equipment	\$405,813	\$405,189
Less: Accumulated depreciation	<u>373,941</u>	<u>349,529</u>
Equipment, net	<u>\$ 31,872</u>	<u>\$ 55,660</u>

Amortization and depreciation expense for capital improvements and equipment was \$512,546 and \$467,780 for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 – NOTES PAYABLE

	2017	2016
Notes payable consist of the following:		
In December 2015, the Corporation refinanced its term loan with Beneficial Bank, and borrowed an additional \$963,000 in order to partially finance a renovation project. The loan is payable in equal monthly installments of \$20,824 which commenced February 2016 based on a fifteen year amortization schedule, due January 2031. The initial interest rate of 4.2% per annum is fixed for five years and will be adjusted at the end of each five year period based on the Federal Home Loan bank five year fixed rate.	<u>\$2,561,666</u>	<u>\$2,699,279</u>
Totals (carried forward)	<u>\$2,561,666</u>	<u>\$2,699,279</u>

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 6 – NOTES PAYABLE (CONTINUED)

	2017	2016
Totals (brought forward)	\$2,561,666	\$2,666,279
Term loan, Philadelphia Industrial Development Corporation ("PIDC") payable in equal monthly installments of \$3,563, which commenced October 2012 including interest at 2.75% per annum, based on a fifteen year amortization schedule, due September 2027.	381,512	413,296
Term loan, PIDC payable in equal monthly installments of \$1,900, including interest at 2.75% per annum, based on a 15 year amortization schedule, due May 2026.	180,179	197,762
Note payable furniture and fixtures, payable in equal monthly installments of \$644, including interest at 11.23% per annum, based on a 5 year amortization schedule; amount was fully paid in October, 2016.	--	2,517
Total	3,123,357	3,312,854
Less: Debt issuance costs net of amortization	(29,431)	(31,987)
Total Notes Payable	\$3,093,926	\$3,280,867

The debt is collateralized by substantially all of the assets of the Corporation, a \$250,000 certificate of deposit, and the assignment of all current and future leases. Additionally the bank debt requires the Corporation to maintain financial covenants. Maturities of long-term debt are as follows:

For the Year Ending June 30,	Amount
2018	\$194,150
2019	201,705
2020	209,543
2021	217,714
2022	226,787
Thereafter	2,073,458
Total	\$3,123,357

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 7 – LEASES

AS LESSOR

The Corporation leases stalls in the Reading Terminal Market to merchants under operating leases for periods generally ranging from three to seven years. The leases require merchants to pay their portion of annual operating expenses, including real estate taxes and utilities, in addition to a rent charge.

Minimum rental income under non-cancellable leases as of June 30, 2017, were as follows:

For the Year Ending June 30,	Amount
2018	\$ 600,477
2019	442,529
2020	309,657
2021	233,250
2022	139,722
Thereafter	<u>92,110</u>
Total	<u>\$1,817,745</u>

In addition to the minimum base rent the Corporation estimates that annual operating expenses billed to merchants will approximate \$3,022,000 for the year ending June 30, 2018.

AS LESSEE

The Corporation's lease with the Pennsylvania Convention Center Authority ("PCCA") provides that rent is payable once the Corporation meets its operating and capital replacement reserve requirements. The operating reserve should equal one-half of the anticipated expenses for the fiscal year. Any amounts in excess of the capital reserve and the maximum operating reserve would be payable annually to the PCCA as basic rent. At June 30, 2017 and 2016, the Corporation did not reach the reserve requirements as defined in the lease and no rent was required to be paid to the PCCA. The lease, which expires on June 30, 2025, also requires the Corporation to pay real estate taxes, insurance and utilities.

NOTE 8 - 401(K) PLAN

The Corporation has a 401(k) plan. Eligible employees who are at least 21 years of age and have one or more years of service can contribute up to 15% of their compensation to the maximum allowed by the Internal Revenue Service.

READING TERMINAL MARKET CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 8 - 401(K) PLAN (CONTINUED)

The Corporation matching contributions are based on 6% of an employee's annual salary and are discretionary. Matching contributions totaled \$40,527 and \$27,142 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9 - NET ASSETS

UNRESTRICTED

The capital replacement reserve is designated annually by the Board of Directors to fund the estimated cost of the capital budget for the upcoming fiscal year. Included in the capital replacement reserve is \$300,000 for projected capital improvements in the next fiscal year, \$600,000 for estimated capital projects beyond the next fiscal year, and \$330,000 for a storage expansion project. Capital improvements and equipment reserves are presented net of related debt. The remainder of the Corporation's net assets represent those amounts that are available for operating use.

TEMPORARILY RESTRICTED

Temporarily restricted net assets are available to support the following special programs:

	Streetscaping Filbert Street	Breaking Bread Program	Performing Arts Program	City Council	Nutrition Education Program	Total
Temporarily Restricted Net Assets – July 1, 2015	\$ --	\$ --	\$117,428	\$ --	\$5,267	\$122,695
Grant Income	160,000	84,764	--	--	--	244,764
Assets Released From Restriction	<u>(39,451)</u>	<u>--</u>	<u>(100,224)</u>	<u>--</u>	<u>(1,932)</u>	<u>(141,607)</u>
Temporarily Restricted Net Assets – June 30, 2016	120,549	84,764	17,204	--	3,335	225,852
Grant Income			15,000	1,000		16,000
Assets Released From Restriction	<u>(90,874)</u>	<u>(37,234)</u>	<u>(13,781)</u>	<u>(345)</u>	<u>(1,281)</u>	<u>(143,515)</u>
Temporarily Restricted Net Assets – June 30, 2017	<u>\$29,675</u>	<u>\$47,530</u>	<u>\$18,423</u>	<u>\$655</u>	<u>\$2,054</u>	<u>\$98,337</u>

NOTE 10 - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 26, 2017, which is the date the accompanying financial statements were available to be issued and require recognition or disclosure in the financial statements.

READING TERMINAL MARKET CORPORATION

DETAILED SCHEDULES OF CERTAIN EXPENSES FROM OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
General and Administrative Expenses		
Accounting fees	\$ 27,000	\$ 26,089
Bank charges	14,702	12,004
Computer expenses	14,263	15,613
Customer parking program	133,950	118,952
Director and officer insurance	8,210	7,969
Dues and subscriptions	6,031	4,225
Employee benefits	67,477	70,543
Legal fees	23,592	25,048
Lease termination fee	40,000	40,000
Marketing expenses	249,612	302,036
Miscellaneous	2,349	242
Office supplies	10,883	5,768
Payroll	736,221	668,823
Payroll service	6,690	6,612
Payroll taxes	56,798	52,876
Postage and delivery	17,927	15,207
Printing	17,470	12,707
Pension contribution	40,527	27,142
Seminars and training	11,732	18,728
Telephone	8,176	7,209
Travel and meals	3,350	1,699
Workers compensation insurance	16,723	16,333
Total General and Administrative Expenses	\$ 1,513,683	\$ 1,455,825

See independent auditors' report.

READING TERMINAL MARKET CORPORATION

DETAILED SCHEDULES OF CERTAIN EXPENSES FROM OPERATIONS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Facilities Expenses		
Employee benefits	\$ 38,375	\$ 32,658
Energy service	15,053	14,726
Exterminating	51,706	49,067
Fire and sprinkler	5,042	6,457
Grease traps	--	13,945
Housekeeping, services	--	925
HVAC and water treatment	139,844	122,197
Payroll	302,546	267,518
Payroll taxes	31,878	26,298
Rental expense	18,450	18,000
Security	405,951	377,023
Trash removal	193,933	186,691
	<u>1,202,778</u>	<u>1,115,505</u>
Repairs and maintenance expenses:		
Building	26,844	32,416
Electrical	1,048	5,212
Engineering contract services	--	10,759
Equipment	35,342	32,971
HVAC	2,653	670
Miscellaneous	7,984	9,348
Plumbing	18,091	12,164
Refrigeration	2,020	3,782
	<u>93,982</u>	<u>107,322</u>
Material and supplies:		
Electrical	3,804	3,491
HVAC	9,343	10,226
Janitorial	103,752	108,044
Miscellaneous	3,932	10,134
Plumbing	2,442	5,480
Uniforms	4,987	6,578
	<u>128,260</u>	<u>143,953</u>
Total Facilities	<u>\$ 1,425,020</u>	<u>\$ 1,366,780</u>
Utilities		
Electricity	\$ 619,894	\$ 655,193
Gas	158,968	150,893
Water and sewer	165,057	163,425
Total Utilities	<u>\$ 943,919</u>	<u>\$ 969,511</u>

See independent auditors' report.