



**CASTRO/UPPER MARKET COMMUNITY
BENEFIT DISTRICT, INC.**

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2018



CASTRO/UPPER MARKET COMMUNITY
BENEFIT DISTRICT, INC.

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Independent Accountant's Review Report

Board of Directors
Castro/Upper Market Community Benefit District, Inc.

We have reviewed the accompanying financial statements of Castro/Upper Market Community Benefit District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "RINA accountancy corporation".

Certified Public Accountants

San Francisco, California
December 28, 2018

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2018

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 515,211
Accounts receivable	8,399
Grants receivable	155,379
Property and equipment, at cost (net of accumulated depreciation of \$2,925)	850
Prepaid expenses	4,152
Security deposits	3,892

TOTAL ASSETS \$ 687,883

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 38,317
Accrued expenses	22,162
Deferred income	7,610

TOTAL LIABILITIES (All Current) 68,089

NET ASSETS:

Unrestricted net assets	64,866
Temporarily restricted net assets	554,928

TOTAL NET ASSETS 619,794

TOTAL LIABILITIES AND NET ASSETS \$ 687,883

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Assessment revenue	\$ 34,083	\$ 467,114	\$ 501,197
Government grants	-	16,500	16,500
Contributions	1,896	67,755	69,651
Affiliate member dues	11,024	-	11,024
Foundation grants	-	341,812	341,812
Interest income	123	-	123
Net assets released from restrictions	1,031,917	(1,031,917)	-
	<u>1,079,043</u>	<u>(138,736)</u>	<u>940,307</u>
TOTAL SUPPORT AND REVENUES			
EXPENSES:			
Program services	991,565	-	991,565
General and administrative	70,903	-	70,903
	<u>1,062,468</u>	<u>-</u>	<u>1,062,468</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	16,575	(138,736)	(122,161)
NET ASSETS, beginning of year	48,291	693,664	741,955
NET ASSETS, end of year	<u>\$ 64,866</u>	<u>\$ 554,928</u>	<u>\$ 619,794</u>

See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services			General and Administrative	Total
	District Identity & Streetscape Improvement	Public Right of Way	Harvey Milk Plaza Redesign		
Sidewalk cleaning	\$ 62,971	\$ 314,932	\$ -	\$ -	\$ 377,903
Professional services	10,825	-	208,638	20,413	239,876
Salaries and wages	66,501	77,033	5,884	32,451	181,869
Security and public safety	-	88,245	-	-	88,245
Streetscape improvements	56,281	-	-	-	56,281
Marketing and advertising	19,757	4,709	3,234	-	27,700
Events and promotions	21,910	-	-	-	21,910
Operation expenses	8,037	7,683	100	6,033	21,853
Payroll taxes and workers' compensation	6,540	7,397	-	2,542	16,479
Rent expense	5,128	9,951	32	1,061	16,172
Accounting fees	-	-	-	8,250	8,250
Castro Ambassadors	2,910	-	-	-	2,910
Travel and meetings	1,288	547	599	44	2,478
Depreciation	216	217	-	109	542
TOTAL FUNCTIONAL EXPENSES	\$ 262,364	\$ 510,714	\$ 218,487	\$ 70,903	\$ 1,062,468

See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (122,161)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	<u>543</u>
NET CASH USED BY OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	<u>(121,618)</u>
CHANGES IN OPERATING ASSETS AND LIABILITIES:	
Accounts receivable	378,272
Grants receivable	(155,379)
Prepaid expenses	(121)
Accounts payable	2,958
Accrued expenses and other payable	5,415
Deferred revenue	<u>7,610</u>
NET CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES	<u>238,755</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>117,137</u>
NET INCREASE IN CASH	117,137
CASH AND CASH EQUIVALENTS, beginning of year	<u>398,074</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 515,211</u>

See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2018

Note 1. NATURE OF ACTIVITIES:

Organization:

The Castro/Upper Market Community Benefit District, Inc. ('Organization') was incorporated in California on December 7, 2005 as a non-profit public benefit corporation. Its mission is to provide services that improve the quality of life in the neighborhood emphasizing clean, safe, beautiful streets. It also promotes the area's economic vitality, fosters the Castro's unique district identity, and honors its diverse history. All property owners whose parcels of land fall within the Organization's geographic area fund the Organization through a special assessment fee, as established after a majority of property owners vote and legislation adopted by the Board of Supervisors on August 2, 2005 and signed on August 8, 2005 by the Mayor of the City and County of San Francisco (the City).

Upon formation of the district in 2005, its members (property owners) were assessed an annual special tax assessment levied by the City under the Property and Business Improvement District Law of 1994. The term of the district will expire (unless renewed) on December 31, 2020. Under a contract with the City and a Management Plan, the Organization receives these special tax assessments and, in exchange, provides certain services to the members of the District. The services include, but are not limited to, supplemental regular cleaning of the sidewalks and curb gutters (sweeping/steam cleaning), graffiti removal, security, marketing, greening and landscaping services, public space management, sponsorship of special events and other district promotional activities, and management and corporate operations.

The Castro is known across the globe as a center of the LGBT community. The international LGBT community looks to the Castro for inspiration and leadership. In a time when gayborhoods are disappearing across the country and globe, the Castro stands as a beacon. However, the continued growth of the Castro's LGBT identity is critical to its future as a cultural hub and economically vital community. To help ensure the Castro continues to not only keep, but grow and enhance its LGBT relevance and importance, the Castro/Upper Market Community Benefit District has funded improvements in the public realm that enhance the districts' LGBT identity. The District has funded rainbow striped cross walks at a critical intersection in the Castro, rainbow LED lights on Castro St., a public art project based in the ideas of LGBT people finding a home in the Castro and also a history walk. The District's newest endeavor in helping to enshrine the LGBT identity in the Castro is a collaborative effort with the City & County of San Francisco to reimagine and rebuild Harvey Milk Plaza into a world class public plaza that honors Harvey Milk and the LGBT history of the Castro.

Note 2. SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP).

Financial statement presentation:

Professional accounting standards require that the Organization report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted net assets:

The portion of net assets that is not restricted by donor-imposed stipulations or restrictions.

Temporarily restricted net assets:

The portion of net assets for which use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2018

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Permanently restricted net assets:

The portion of net assets held in perpetuity by donor-imposed stipulations. Investment income is available for donor stipulated purposes and is included in temporarily restricted net assets. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents:

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment:

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment, ranging from 3 – 7 years.

Receivables:

Accounts receivable primarily consists of grants from the City and County of San Francisco that have been awarded but for which funds have not yet been received. The Organization provides an allowance for doubtful accounts that is based on prior year bad debt experience. No allowance was deemed necessary at June 30, 2018. It is the Organization's policy to charge off uncollectible accounts receivables when management determines the receivable will not be collected.

Contribution:

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated services and materials:

Donated services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated property is recognized as contribution in the accompanying financial statements at its estimated fair market value at date of gift.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2018

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income tax status:

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for such taxes in the accompanying combined financial statements.

Use of Accounting Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk:

The Organization maintains its cash and money market account balances at financial institutions located in San Francisco, California. Such balances with any one institution may, at times, be in excess of federally insured amounts. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recent accounting pronouncements:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Organization is currently evaluating the impact the amendments in this ASU will have on its financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the effect that the updated standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than twelve months. The standard will be effective for non-public business entities for fiscal years beginning after December 15, 2019 with early application permitted. The Organization is currently evaluating the impact this guidance will have on its financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2018

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Date of management's review:

Management has evaluated subsequent events through December 28, 2018 the date which the financial statements were available for issue. Management has concluded that there were no other subsequent events required to be disclosed or recognized in the financial statements.

Note 3. PROPERTY AND EQUIPMENT:

At June 30, 2018, property and equipment consisted of the following:

Computer equipment	\$ 2,527
Furniture and fixtures	1,831
	<u>\$ 4,358</u>
Less: Accumulated depreciation	<u>(3,508)</u>
Net property and equipment	<u>\$ 850</u>

For the year ended June 30, 2018, depreciation expense amounted to \$542.

Note 4. CONCENTRATION OF SUPPORT AND REVENUE:

The Organization received special benefit assessments under a contract with the City and County of San Francisco, which represents approximately 53% of the Organization's total revenue.

Note 5. NET ASSETS:

Unrestricted net assets comprised the following at June 30, 2018:

Unrestricted net assets	<u>\$ 64,866</u>
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Temporarily restricted net assets and related activity comprise the following for the year ended June 30, 2018:

	July 1, 2017	Contributions and Income	Released from Restrictions	June 30, 2018
Assessments - public right of way	\$ 191,796	\$ 326,778	\$ 351,452	\$ 167,122
Assessments - district identity and streetscape improvements	39,914	60,144	62,678	37,380
Assessments - general and administration	69,055	80,192	57,691	91,556
General donations	-	2,375	238	2,137
Castro Care donations	36,520	32,171	3,836	64,855
Harvey Milk Plaza Donations	-	1,056	1,056	-
Man Dance donations	-	5,550	1,341	4,209
Pink Triangle Park donations	-	6,153	6,153	-
Retail strategy donations	-	20,450	5,428	15,022
OEWD - Castro Care grant	182,316	16,500	155,426	43,390
OEWD - JWP grant	167,234	-	167,234	-
OEWD - retail strategy	6,829	-	6,829	-
Horizons Foundation HMP grant	-	341,812	212,555	129,257
Totals	<u>\$ 693,664</u>	<u>\$ 893,181</u>	<u>\$ 1,031,917</u>	<u>\$ 554,928</u>

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2018

Note 6. OPERATING LEASE:

The Organization conducts its operation from a facility that is leased under a three-year non-cancelable operating lease originally expiring on August 31, 2017 and extended for an additional three years until August 31, 2020. Future minimum rental payments due under the lease are as follows:

For the year ending June	
2019	\$ 51,074
2020	52,606
2021	<u>8,810</u>
Total	<u>\$ 112,490</u>

Rental expense was \$16,172 for the year ended June 30, 2018.