



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

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2020



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, 2020, 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.

Certified Public Accountants

A handwritten signature in black ink that reads "RINA Accountancy LLP".

San Francisco, California
October 12, 2020

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2020

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 488,985
Assessments receivable	8,845
Grants receivable	55,769
Prepaid expenses	<u>4,174</u>
TOTAL CURRENT ASSETS	557,773
OTHER:	
Security deposits	<u>3,185</u>
TOTAL ASSETS	<u><u>\$ 560,958</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 57,880
Accrued expenses	8,385
Deferred rent	<u>10,550</u>
TOTAL CURRENT LIABILITIES	76,815
LONG-TERM LIABILITIES:	
Note payable	<u>37,497</u>
TOTAL LIABILITIES	<u>114,312</u>
NET ASSETS:	
Net assets without donor restrictions	121,410
Net assets with donor restrictions	<u>325,236</u>
TOTAL NET ASSETS	<u>446,646</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 560,958</u></u>

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

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Assessment revenue	\$ -	\$ 535,216	\$ 535,216
Government grants	-	433,711	433,711
Contributions	-	16,852	16,852
In-kind donations	5,255	-	5,255
Affiliate member dues	14,432	-	14,432
Interest income	114	-	114
Net assets released from restrictions	1,019,577	(1,019,577)	-
TOTAL SUPPORT AND REVENUES	<u>1,039,378</u>	<u>(33,798)</u>	<u>1,005,580</u>
EXPENSES:			
Program services	1,002,139	-	1,002,139
General and administrative	40,653	-	40,653
TOTAL EXPENSES	<u>1,042,792</u>	<u>-</u>	<u>1,042,792</u>
CHANGE IN NET ASSETS	(3,414)	(33,798)	(37,212)
NET ASSETS, beginning of year	<u>124,824</u>	<u>359,034</u>	<u>483,858</u>
NET ASSETS, end of year	<u>\$ 121,410</u>	<u>\$ 325,236</u>	<u>\$ 446,646</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, 2020

	<u>Program Services</u>			
	<u>District Identity & Streetscape Improvement</u>	<u>Public Right of Way</u>	<u>General and Administrative</u>	<u>Total</u>
Sidewalk cleaning	\$ 79,899	\$ 438,520	\$ -	\$ 518,419
Salaries and wages	95,171	92,702	24,493	212,366
Security and public safety	-	94,974		94,974
Professional services	29,974	7,475	6,172	43,621
Social programs and services	-	42,704		42,704
Rent expense	13,926	21,340	3,359	38,625
Operation expenses	8,898	7,409	5,117	21,424
Marketing and advertising	14,273	4,113	-	18,386
Events and promotions	17,620	-	-	17,620
Payroll taxes and workers' compensation	6,110	10,189	1,258	17,557
Streetscape improvements	10,903	-	-	10,903
In-kind donation	1,718	3,537	-	5,255
Accounting fees	200	200	100	500
Travel and meetings	86	40	154	280
Castro Ambassadors	158	-	-	158
TOTAL FUNCTIONAL EXPENSES	<u>\$ 278,936</u>	<u>\$ 723,203</u>	<u>\$ 40,653</u>	<u>\$ 1,042,792</u>

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (37,212)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(8,354)
Grants receivable	42,020
Prepaid expenses	227
Accounts payable	2,304
Accrued expenses and other payable	<u>(32,886)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(33,901)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note payable	<u>37,497</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>37,497</u>
NET INCREASE IN CASH	3,596
CASH AND CASH EQUIVALENTS, beginning of year	<u>485,389</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 488,985</u></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, 2020

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 June 30, 2035. 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.

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).

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2020

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Financial statement presentation:

Professional accounting standards require that the Organization report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. A description of the net asset categories follows:

Net assets without donor restrictions:

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

Net assets with donor restrictions:

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, and net assets held in perpetuity by donor-imposed stipulations. Investment income is available for donor stipulated purposes. Net assets with donor restrictions are reclassified to without donor restrictions upon satisfaction of the time or purpose restrictions.

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.

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, 2020. It is the Organization's policy to charge off uncollectible accounts receivables when management determines the receivable will not be collected.

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.

Revenue recognition:

Contracts with Customers:

The Organization adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606") on July 1, 2019 using the modified retrospective method. The Organization's operating results for reporting periods beginning after July 1, 2019 are presented under ASC Topic 606, while prior period amounts continue to be reported in accordance with historic accounting under Topic 605. The timing and measurement of revenues under ASC Topic 606 is similar to that recognized under previous guidance, accordingly, the adoption of ASC Topic 606 did not have a material impact on the statement of financial position, statement of activities, cash flows, or presentation thereof at adoption or in the current period. There were no changes in the opening net assets balance as a result of the adoption of ASC Topic 606.

Revenues are derived from rendering of services to certain affiliate members and are generally recognized when the Organization performs the services. For the year ended June 30, 2020, revenues from affiliate member dues totaled \$14,432.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2020

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue recognition (continued):

Contributions:

On June 21, 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Update is effective to annual periods beginning after June 15, 2018 for resource recipients. The Organization has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly.

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.

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 net assets, depending on the nature of the contribution with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Government contracts:

Government contract revenue is recognized in accordance with the terms of the contract which is generally when the related expenditures are incurred.

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.

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.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2020

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 according to the provisions of pertinent grants and a percentage allocation based on time spent on programs and supporting services.

Date of management's review:

Management has evaluated subsequent events through October 12, 2020, 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. The COVID-19 pandemic has impacted the area served by the district. However, it is not possible to assess the duration and financial impact at this time.

Note 3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

Financial assets available for general expenditure without donor restrictions limiting their use within one year of the balance sheet date comprise the following:

	June 30, 2020	June 30, 2019
Cash and cash equivalents	\$ 488,985	\$ 485,389
Grants receivable	55,769	97,789
Assessments receivable	8,845	91
Less donor-imposed restricted amount	<u>(325,236)</u>	<u>(359,034)</u>
Total	<u>\$ 228,363</u>	<u>\$ 224,235</u>

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.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2020

Note 5. LONG-TERM DEBT:

The Organization entered into a Paycheck Protection Program Promissory Note with Wells Fargo Bank on May 3, 2020 in the principal amount of \$37,497. Pursuant to the terms of the Note, interest accrues at 1%. Payments in the amount of \$1,878 are due commencing on November 1, 2020, with all outstanding unpaid principal and accrued interest due on May 3, 2022. All or a portion of amounts due under the Note may be forgiven under the applicable provisions of the Paycheck Protection Program of the CARES Act. The Organization intends to apply for full forgiveness of the loan.

Note 6. SIMPLE IRA RETIREMENT PLAN:

The Organization has a Simple IRA Retirement Plan which covers all eligible employees. Employees may contribute up to the IRS annual limit. Employee contributions are withheld through payroll and remitted to the respective financial investment institution. Pursuant to the Plan, the Organization matches employee contributions up to 3% of annual compensation. Contributions of \$4,546 were made by the Organization in the year ending June 30, 2020.

Note 7. NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions comprise the following for the year ended June 30, 2020:

Board designated	<u>\$ 121,410</u>
Total	<u><u>\$ 121,410</u></u>

The Board has designated the amount set forth above for public right of way, district identity and streetscape improvements and for general and administrative expenses.

Note 8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions and related activity comprise the following for the year ended June 30, 2020:

	July 1, 2019	Contributions and Income	Released from Restrictions	June 30, 2020
Assessments - public right of way	\$ 112,906	\$ 411,927	\$ 436,018	\$ 88,815
Assessments - district identity and streetscape improvements	20,746	123,289	81,847	62,188
Assessments - general and administration	103,680	-	40,653	63,027
General donations	2,905	940	-	3,845
Castro Care donations	51,005	13,226	13,914	50,317
Man Dance donations	2,532	2,586	5,118	-
Retail strategy donations	12,361	100	843	11,618
Annual Event Sponsorship	18,250	-	-	18,250
SF Arts Commission	-	25,000	12,250	12,750
OEWD - Castro Care grant	9,649	261,500	256,723	14,426
OEWD - CBD renewal grant	25,000	-	25,000	-
OEWD - JWP grant	-	145,000	145,000	-
OEWD - Retail Strategy	-	2,211	2,211	-
Totals	\$ 359,034	\$ 985,779	\$ 1,019,577	\$ 325,236

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2020

Note 9. OPERATING LEASE:

The Organization conducts its operation from a facility that is leased under a five-year non-cancelable operating lease that began on June 1, 2019 and may be renewed on May 31, 2024. Future minimum rental payments due under the lease are as follows:

Year Ending June,		
2021	\$	40,337
2022		41,144
2023		41,966
2024		39,173
		<u>162,620</u>
	\$	<u>162,620</u>

Rental expense was \$38,625 for the year ended June 30, 2020.