



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

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2017



CASTRO/UPPER MARKET COMMUNITY
BENEFIT DISTRICT, INC.

TABLE OF CONTENTS
JUNE 30, 2017

Independent accountant's review report	2
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flow	6
Notes to financial statements	7 - 10



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, 2017, 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
October 12, 2017

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 398,074
Accounts receivable	386,671
Property and equipment, at cost (net of accumulated depreciation of \$2,925)	1,393
Prepaid expenses	4,031
Security deposits	3,892

TOTAL ASSETS \$ 794,061

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 35,359
Accrued expenses and other payable	16,747

TOTAL LIABILITIES (All Current) 52,106

NET ASSETS:

Unrestricted net assets	48,291
Temporarily restricted net assets	693,664

TOTAL NET ASSETS 741,955

TOTAL LIABILITIES AND NET ASSETS \$ 794,061

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Assessment revenue	\$ 44,953	\$ 454,523	\$ 499,476
Government grants	0	300,594	300,594
Contributions	0	31,912	31,912
Affiliate member dues	0	8,963	8,963
In-kind donation	764	0	764
Interest income	99	0	99
Net assets released from restrictions	444,018	(444,018)	0
	<u>489,834</u>	<u>351,974</u>	<u>841,808</u>
TOTAL SUPPORT AND REVENUES			
EXPENSES:			
Program services	706,669	0	706,669
General and administrative	69,181	0	69,181
	<u>775,850</u>	<u>0</u>	<u>775,850</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	(286,016)	351,974	65,958
NET ASSETS, beginning of year	<u>334,307</u>	<u>341,690</u>	<u>675,997</u>
NET ASSETS, end of year	<u>\$ 48,291</u>	<u>\$ 693,664</u>	<u>\$ 741,955</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, 2017

	Program Services		General and Administrative	
	District Identity & Streetscape Improvement	Public Right of Way		Total
Sidewalk cleaning	\$ 0	\$ 296,853	\$ 0	\$ 296,853
Salaries and wages	62,740	71,070	28,632	162,442
Security and public safety	0	79,182	0	79,182
Castro Care services	42,025	34,977	0	77,002
Streetscape improvements	29,731	0	0	29,731
Operation expenses	8,640	10,841	9,179	28,660
Professional services	14,045	0	11,521	25,566
Accounting fees	2,065	5,814	10,100	17,979
Rent expense	3,944	7,173	2,945	14,062
Payroll taxes and workers' compensation	4,330	3,918	5,443	13,691
Marketing and advertising	8,126	3,639	953	12,718
Events and promotions	10,616	0	0	10,616
Castro Ambassadors	5,084	0	0	5,084
Depreciation	133	696	275	1,104
In-kind supplies	161	603	0	764
Travel and meetings	198	65	133	396
TOTAL FUNCTIONAL EXPENSES	\$ 191,838	\$ 514,831	\$ 69,181	\$ 775,850

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 65,958
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	<u>1,104</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	 <u>67,062</u>
 CHANGES IN OPERATING ASSETS AND LIABILITIES:	
Accounts receivable	10,818
Prepaid expenses	(4,031)
Accounts payable	34,567
Accrued expenses and other payable	<u>8,291</u>
 NET CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES	 <u>49,645</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>116,707</u>
 NET INCREASE IN CASH	 116,707
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>281,367</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u><u>\$ 398,074</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, 2017

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.

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.

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.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2017

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

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, 2017. 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, 2017

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.

Subsequent Events:

Management has evaluated subsequent events through October 12, 2017 the date which the financial statements were available for issue.

Note 3. PROPERTY AND EQUIPMENT:

At June 30, 2017, property and equipment consisted of the following:

		Estimated Useful Lives (years)
Computer equipment	\$ 2,527	3
Furniture and fixtures	1,831	7
	\$ 4,358	
Less: Accumulated depreciation	(2,965)	
	\$ 1,393	

For the year ended June 30, 2017, depreciation expense amounted to \$1,104.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2017

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 59% of the Organization's total revenue.

Note 5. NET ASSETS:

Unrestricted net assets comprised the following at June 30, 2017:

Unrestricted net assets \$ 57,254

Temporarily restricted net assets and related activity comprise the following for the year ended June 30, 2017:

	July 1, 2016	Contributions and Income	Released from Restrictions	June 30, 2017
Assessment grants - public right of way	\$ 0	\$ 323,633	\$ 131,837	\$ 191,796
Assessment grants - district identity and streetscape improvements	0	59,937	20,023	39,914
Assessment grants - general and administration	0	79,916	10,861	69,055
Castro Care donations	30,006	29,312	22,798	36,520
JWP donations	434	0	434	0
Man Dance donations	0	1,700	1,700	0
Pink Triangle Park donations	0	900	900	0
OEWD - Castro Care grant	146,278	170,594	134,556	182,316
OEWD - JWP grant	140,517	130,000	103,283	167,234
OEWD - retail strategy	24,455	0	17,626	6,829
Totals	<u>\$ 341,690</u>	<u>\$ 795,992</u>	<u>\$ 444,018</u>	<u>\$ 693,664</u>

Note 6. OPERATING LEASE:

The Organization conducts its operation from a facility that is leased under a three-year non-cancelable operating lease expiring on August 31, 2017, which has been 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 30,	
2018	\$ 49,586
2019	51,074
2020	52,606
2021	<u>8,810</u>
Total future minimum lease payments	<u>\$ 162,076</u>

Rental expense was \$14,062 for the year ended June 30, 2017.

A sublessor is obligated to pay the landlord \$5,250 of the future minimum lease payments due June 30, 2018 pursuant to a sublease directly between the sublessor and the landlord.