

---

---

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

**FINANCIAL STATEMENTS**

**June 30, 2010**

---

---

**CROSBY & KANEDA**  
Certified Public Accountants

---

---

Dedicated to Nonprofit Organizations

**Castro/Upper Market Community Benefit District, Inc.**

Contents

Accountants' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Function Expenses	5
Notes to the Financial Statements	6-8

## INDEPENDENT AUDITORS' REPORT

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

We have reviewed the accompanying statements of financial position of Castro/Upper Market Community Benefit District, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, cash flows and functional expenses for the year then ended, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Castro/Upper Market Community Benefit District, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants  
Oakland, California  
January 5, 2011

**Castro/Upper Market Community Benefit District, Inc.**

**Statement of Financial Position  
June 30, 2010**

**Assets**

Current Assets	
Cash and cash equivalents	\$ 303,855
Certificate of deposit	-
Assessments receivable	47,609
Grants receivable	56,851
Prepaid expenses	-
	<hr/>
Total Assets	\$ 408,315
	<hr/> <hr/>

**Liabilities and Net Assets**

Current Liabilities	
Accounts payable and accrued expenses	\$ 30,127
Total Liabilities	<hr/> 30,127
Contingencies (Notes 3)	
Unrestricted Net Assets	
Board designated (Note 4)	365,000
Other unrestricted	13,188
Total Net Assets	<hr/> 378,188
	<hr/> <hr/>
Total Liabilities and Net Assets	\$ 408,315
	<hr/> <hr/>

See Accountants' Review Report and  
Notes to the Financial Statements

Castro/Upper Market Community Benefit District, Inc.

Statement of Activities  
Year Ended June 30, 2010

<b>Support and Revenue</b>	
Support	
Government grants	\$ 114,666
Contributions/grants	7,600
In-kind support	16,120
Total Support	<u>138,386</u>
Revenue	
Assessment revenue	428,325
Interest income	2,671
Total Revenue	<u>430,996</u>
 Total Support and Revenue	 <u>569,382</u>
 <b>Expenses</b>	
Program	536,910
General and administrative	28,204
Fundraising	2,178
Total Expenses	<u>567,292</u>
 Change in Net Assets	 2,090
 Net Assets, beginning of year	 <u>376,098</u>
 Net Assets, end of year	 <u>\$ 378,188</u>

See Accountants' Review Report and  
Notes to the Financial Statements

**Castro/Upper Market Community Benefit District, Inc.**

**Statement of Cash Flows  
Year Ended June 30, 2010**

**Cash flows from operating activities:**

Change in net assets	\$ 2,090
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:	
Change in assets and liabilities:	
Assessments receivable	(14,696)
Grants receivable	(55,279)
Prepaid expenses	900
Accounts payable and accrued expenses	11,508
Net cash used by operating activities	<u>(55,477)</u>

**Cash flows from investing activities**

Proceeds from sale of certificate of deposit	<u>108,158</u>
Net cash provided by investing activities	<u>108,158</u>
Net change in cash and cash equivalents	<u>52,681</u>
Cash and cash equivalents, beginning of year	<u>251,174</u>
Cash and cash equivalents, end of year	<u>\$ 303,855</u>

See Accountants' Review Report and  
Notes to the Financial Statements

**Castro/Upper Market Community Benefit District, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2010**

	Program	General and Administrative	Fundraising	Total
Accounting fees		\$ 4,000		\$ 4,000
Fees for service	529,112	\$ 21,854	\$ 2,060	553,026
Supplies	382	26		408
Telephone		181		181
Postage	360	306	7	673
Advertising and promotion	212			212
Equipment rental and maintenance				-
Printing and publication	2,944	112	111	3,167
Information technology	2,718	239		2,957
Travel, meals, and entertainment	107	234		341
Conference, conventions, meetings	625	50		675
Interest		2		2
Insurance	450	1,200		1,650
Dues, licenses, service fees				-
Total Expenses	<u>\$ 536,910</u>	<u>\$ 28,204</u>	<u>\$ 2,178</u>	<u>\$ 567,292</u>

See Accountants' Review Report and  
Notes to the Financial Statements

# CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

---

### NOTE 1: NATURE OF ACTIVITIES

The Castro/Upper Market Community Benefit District, Inc. (the Organization) was incorporated in California on September 2, 2008 as a non-profit public benefit corporation. Its purpose is to provide services to the Castro and Upper Market Areas within the Benefit District (the District), whose members include the owners of all parcels of land subject to property tax assessments within the geographic area of the Castro and Upper Market as established via 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 were subject to multi-year special assessments imposed by the City under the Property and Business Improvement District Law of 1994. Under a contract with the City, the Organization receives these special assessments and, in exchange provides certain services to the members of the District. These services include supplemental security services to maintain order, the clearing and maintenance of sidewalks, the removal of graffiti, enhanced trash emptying in public rights of way, neighborhood beautification and tree-planting programs, and the organization and funding of special events. In addition to the special assessment funds, the contract with the City requires that the Organization raise an additional 5% from private donations to supplement the special assessments.

The annual special assessments imposed by the City will expire on December 31, 2020, unless the District is disestablished earlier by a majority vote of its members. The Organization's contract with the City will expire on December 31, 2020, but would also expire upon the disestablishment of the District.

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

#### **Basis of Presentation**

The Organization reports 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.

#### **Revenue Recognition**

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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

# CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

---

reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Special assessment revenue is recognized ratably over the course of the year.

### **Income Taxes**

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). The Organization has evaluated its current tax positions and has concluded that as of June 30, 2010, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

### **Donated Services**

Donated services are recognized as contributions 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.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Cash and Equivalents**

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

### **Functional Allocation of Expenses**

The costs of providing the various programs and 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**

The Organization has evaluated subsequent events and has concluded that as of the date that the financial statements were available for distribution there were no significant subsequent events to disclose.

## **NOTE 3: CONTINGENCIES**

Special benefit assessments are received under a contract with the City and County of San Francisco and represent approximately 75 % of the Organization's total revenues. Under the terms of the contract, the City and County can suspend distributions and ultimately terminate the contract if the Organization fails to provide adequate services to the District or fails to perform other responsibilities. The contract expires on December 31, 2020 and could be terminated at an earlier date if the Castro/Upper Market Community Benefit District is disestablished by a vote of more than 50% of the assessed owners.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

---

**NOTE 4: BOARD DESIGNATED NET ASSETS**

Board designated net assets represent unrestricted net assets allocated by the Board of Directors for the following purposes at June 30, 2010:

General reserve for cash flow	\$ 100,000
Matching grant reserve	125,000
Streetscape improvements	<u>140,000</u>
Total	<u>\$ 365,000</u>