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**NORTH OF MARKET/TENDERLOIN  
COMMUNITY BENEFIT  
CORPORATION**

**FINANCIAL STATEMENTS**

**June 30, 2011**

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**CROSBY & KANEDA**  
Certified Public Accountants

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Dedicated to Nonprofit Organizations

# North of Market/Tenderloin Community Benefit Corporation

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
North of Market/Tenderloin Community Benefit Corporation  
San Francisco, California

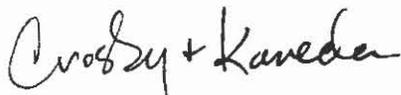
We have audited the accompanying statement of financial position of North of Market/Tenderloin Community Benefit Corporation as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of North of Market/Tenderloin Community Benefit Corporation's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North of Market/Tenderloin Community Benefit Corporation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011 on our consideration of North of Market/Tenderloin Community Benefit Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Certified Public Accountants  
Oakland, California  
October 27, 2011

**North of Market/Tenderloin Community Benefit Corporation**

**Statement of Financial Position**

**June 30, 2011**

**Assets**

Current Assets		
Cash	\$	575,409
Accounts receivable		53,714
Grants receivable		38,440
Total Current Assets		<u>667,563</u>
Fixed assets, net		800
Total Assets	\$	<u><u>668,363</u></u>

**Liabilities and Net Assets**

Current Liabilities		
Accounts payable and accrued expenses	\$	86,145
Total Liabilities		<u>86,145</u>
Contingency (Note 4)		
Unrestricted Net Assets		<u>582,218</u>
Total Net Assets		<u>582,218</u>
Total Liabilities and Net Assets	\$	<u><u>668,363</u></u>

See Notes to the Financial Statements

**North of Market/Tenderloin Community Benefit Corporation**

**Statement of Activities  
For the Year Ended June 30, 2011**

<b>Support and Revenue</b>	
Government grants	\$ 63,940
Donations	582
Assessment revenue	912,828
Interest income	1,412
Total Support and Revenue	<u>978,762</u>
<b>Expenses</b>	
Program	982,361
General and administrative	127,303
Total Expenses	<u>1,109,664</u>
Change in Net Assets	(130,902)
Net Assets, beginning of year	<u>713,120</u>
Net Assets, end of year	<u>\$ 582,218</u>

See Notes to the Financial Statements

**North of Market/Tenderloin Community Benefit Corporation**

**Statement of Cash Flows  
For the Year Ended June 30, 2011**

**Cash flows from operating activities:**

Change in net assets	\$ (130,902)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:	
Depreciation	214
Change in assets and liabilities:	
Accounts receivable	(53,714)
Grants receivable	(38,440)
Prepaid expense	14,337
Accounts payable and accrued expenses	87,633
Net cash used by operating activities	<u>(120,872)</u>
Net change in cash	<u>(120,872)</u>
Cash, beginning of year	<u>696,281</u>
Cash, end of year	<u>\$ 575,409</u>

See Notes to the Financial Statements

**North of Market/Tenderloin Community Benefit Corporation**

**Statement of Functional Expenses  
For the Year Ended June 30, 2011**

	Program		Total Program	General and Administrative	Total
	DISI	PROW			
Salaries	\$ 14,448	\$ 15,593	\$ 30,041	\$ 28,895	\$ 58,936
Employee benefits	500	500	1,000	1,000	2,000
Payroll taxes	1,203	1,203	2,406	2,406	4,812
Total Personnel	<u>16,151</u>	<u>17,296</u>	<u>33,447</u>	<u>32,301</u>	<u>65,748</u>
Fees for service	14,594	739,047	753,641	23,943	681,515
Grants	108,914	79,207	188,121	-	188,121
Occupancy			-	31,120	31,120
Office expenses			-	15,430	15,430
Accounting fees			-	14,565	14,565
Advertising and promotion	7,152		7,152	-	7,152
Insurance			-	5,096	5,096
Bank fees, payroll services			-	2,755	2,755
Conferences, conventions, meetings			-	1,779	1,779
Depreciation			-	214	214
Miscellaneous			-	100	100
Total Expenses	<u>\$ 146,811</u>	<u>\$ 835,550</u>	<u>\$ 982,361</u>	<u>\$ 127,303</u>	<u>\$ 1,013,595</u>

See Notes to the Financial Statements

# NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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### NOTE 1: NATURE OF ACTIVITIES

The North of Market/Tenderloin Community Benefit Corporation is a California nonprofit public benefit corporation, which was established in 2005. The ultimate goal of the North of Market/Tenderloin Community Benefit Corporation is to provide systematic cleaning and beatification services to all of the parcels in the historic Tenderloin district. The North of Market/Tenderloin Community Benefit Corporation is funded primarily by special assessments levied on properties within 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 reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### **Income Taxes**

The Internal Revenue Service and the California Franchise Tax Board have determined that the Foundation 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, 2011, 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.

**NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

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**Property and Equipment**

All acquisitions of property and equipment in excess of \$1,000 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.

**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.

**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: CONCENTRATION OF CREDIT RISK**

**Cash**

The Organization maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

**Revenue**

For the ended June 30, 2011, the Organization received 93% of its revenue from tax assessments.

**NOTE 4: CONTINGENCY**

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
North of Market/Tenderloin Community Benefit Corporation  
San Francisco, California

We have audited the financial statements of North of Market/Tenderloin Community Benefit Corporation as of and for the year ended June 30, 2011 and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered North of Market/Tenderloin Community Benefit Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting. A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

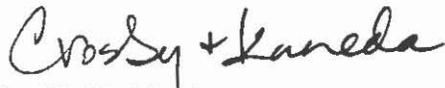
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether North of Market/Tenderloin Community Benefit Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of North of Market/Tenderloin Community Benefit Corporation in a separate letter dated October 27, 2011.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and the City and County of San Francisco, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants  
Oakland, California  
October 27, 2011