



Certified Public Accountants
and Financial Advisors

**JAPANTOWN COMMUNITY BENEFIT
DISTRICT, INC.**
Financial Statements
June 30, 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Japantown Community Benefit District, Inc.

We have reviewed the accompanying financial statements of Japantown Community Benefit District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities, functional expenses, and cash flows for the period from October 19, 2017 (date of inception) to June 30, 2018. 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 the 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 American Institute of Certified Public Accountants. 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 general 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.

SQUAR MILNER LLP



San Francisco, California
October 31, 2019

JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 242,288
Assessments receivable	<u>58,275</u>
 Total assets	 <u>\$ 300,563</u>

NET ASSETS

NET ASSETS - unrestricted	<u>\$ 300,563</u>
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JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF ACTIVITIES
For the Period from October 19, 2017 (date of inception) to June 30, 2018

	<u>Unrestricted</u>
REVENUES AND SUPPORT	
Assessments revenue	\$ 385,496
Contributions	<u>2,100</u>
 Total revenues and support	 <u>387,596</u>
 EXPENSES	
Program services	54,468
Management and general	<u>32,565</u>
 Total expenses	 <u>87,033</u>
 CHANGE IN NET ASSETS	 300,563
 Net assets - beginning of period	 <u>-</u>
 Net assets - end of period	 <u>\$ 300,563</u>

JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Period from October 19, 2017 (date of inception) to June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Outside Services	\$ 42,335	\$ -	\$ 42,335
Legal and Professional Services	-	16,128	16,128
District Marketing and Promotion	-	10,000	10,000
Salaries	4,080	4,080	8,160
Charitable Contributions	4,575	-	4,575
Insurance	1,650	1,477	3,127
Occupancy	1,287	-	1,287
Payroll Expenses	541	434	975
Office Expenses	-	397	397
Bank Charges and Filing Fees	-	49	49
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 54,468	\$ 32,565	\$ 87,033

JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF CASH FLOWS
For the Period from October 19, 2017 (date of inception) to June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 300,563
Change in operating assets:	
Assessments receivable	<u>(58,275)</u>
Net cash provided by operating activities	<u>242,288</u>
NET INCREASE IN CASH	242,288
CASH - beginning of period	<u>-</u>
CASH - end of period	<u>\$ 242,288</u>

JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. ORGANIZATION

Japantown Community Benefit District, Inc. ("JCBD") is a not-for-profit organization formed on October 19, 2017 pursuant to a management contract with the City and County of San Francisco (the "City"). Refer to Note 3.

The JCBD, located in San Francisco, California, has specific charitable purpose to advance the common good, general welfare and quality of life of all San Franciscans, and of visitors to San Francisco, by enhancing environmental quality and beauty in the Japantown Community Benefit District, by fostering a safer and more secure community in that District, and by reinforcing the cultural heritage and economic vitality of that District, and to carry on other charitable activities associated with these goals as allowed by law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are as of and for the period from October 19, 2017 (date of inception) through June 30, 2018 and are presented in accordance with generally accepted accounting principles promulgated in the United States of America for Not-For-Profit Organizations ("U.S. GAAP").

Basis of Presentation

The JCBD is required to report information regarding its financial position and activities in accordance with three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

The portion of expendable funds that have no use or time restrictions. The Board of Directors may designate a portion of these net assets for specified purposes. All net assets of the JCBD were unrestricted net assets as of June 30, 2018.

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

Net assets that are subject to donor-imposed restrictions that neither expire by passage of time, nor can otherwise be removed by actions of the JCBD.

JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of checking account. Cash equivalents consist of short-term and highly liquid investments with original maturities of three months or less from the dates of acquisition. There were no cash equivalents as of June 30, 2018.

Assessments Receivable

Assessments receivable represents obligations of the City due to the JCBD. The allowance for doubtful accounts is determined based on the collectability of receivables. Receivables are written off when it is probable that the receivables will not be collected. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for doubtful accounts has been provided.

Revenue Recognition

Assessments Revenue

Assessments revenue is recognized when the assessments due from the City become due and measurable and when collectability is reasonably assured.

Contributions

Unconditional contributions and pledges are recognized at their fair value when received. Donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

The JCBD is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise taxes under Section 23701d of the Revenue and Taxation Code. In addition, the JCBD qualifies for the charitable contribution deduction under Section 170(b)(1)(A). However, income from activities not related to the JCBD's tax-exempt purpose may be subject to taxation as unrelated business income.

JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

U.S. GAAP provides disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and does not believe that the JCBD has any uncertain tax positions that require adjustment or disclosure in the financial statements. The JCBD's returns are subject to examination by federal and state taxing authorities, generally for three to four years, respectively, after they are filed.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are identified with a specific program or support service and are charged directly to that program or support service. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flow. ASU 2016-14 requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The JCBD will adopt the provisions of ASU 2016-14 effective July 1, 2018.

Although there are several other new accounting pronouncements issued or proposed by the FASB, which the JCBD will adopt, as applicable, the JCBD does not believe any of these accounting pronouncements will have a material impact on its financial position or results of operation.

Subsequent Events

The JCBD has evaluated subsequent events through October 31, 2019, the date the financial statements were available to be issued.

JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3. ASSESSMENTS REVENUE

In April of 2017, the City developed the Japantown Community Benefit District Plan (the "Plan") to improve the appearance and safety of the Japanese Community Benefit District ("District") which encompasses approximately seven whole and partial blocks in the commercial core of Japantown. The Plan is also to increase building occupancy and lease rates, and to encourage new business development and attract ancillary businesses and services.

On January 18, 2018, an agreement was entered into between the City and the JCBD, to implement, administer and provide the property-related services, improvements and activities, in accordance with the Plan for a term expiring on June 30, 2027.

The JCBD receives its support primarily from the multi-year special assessment levied by the City on Identified Parcels (as defined in Section 53750(g) of the Government Code) located within the District. The assessments may only be used to fund property-related services, improvements and activities, as defined, within the District in accordance with the Plan.

4. CONCENTRATIONS OF RISK

Vendor

The JCBD incurred expenses of \$42,335 for outsourced services paid to one non-profit organization, representing 49% of the total expenses for the period from October 19, 2017 (date of inception) to June 30, 2018.

Other risk

The JCBD's ability to generate resources is dependent upon the assessments from the City and County of San Francisco.

Financial instruments, which potentially subject the JCBD to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. JCBD periodically reviews its cash and investment policy and believes that any potential loss is not material to the financial statements.