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

FINANCIAL STATEMENTS

June 30, 2013

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

Castro/Upper Market Community Benefit District, Inc.

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INDEPENDENT ACCOUNTANTS' REVIEW 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, 2013, and the related statements of activities, cash flows, and statement of functional expenses for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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
November 12, 2013



Castro/Upper Market Community Benefit District, Inc.

**Statement of Financial Position
June 30, 2013**

Assets

Current Assets

Cash and cash equivalents	\$ 462,689
Assessments receivable	<u>41,445</u>

Total Assets	<u>\$ 504,134</u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 28,058
Total Liabilities	<u>28,058</u>

Contingencies (Notes 3)

Unrestricted Net Assets

Board designated (Note 4)	433,149
Undesignated	<u>42,927</u>
Total Net Assets	<u>476,076</u>

Total Liabilities and Net Assets	<u>\$ 504,134</u>
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See Independent Accountants' Review Report and
Notes to the Financial Statements

Castro/Upper Market Community Benefit District, Inc.

**Statement of Activities
Year Ended June 30, 2013**

Support and Revenue	
Assessment revenue	\$ 426,004
Contributions and grants	57,352
In-kind rent	6,000
Interest income	731
Total Support and Revenue	<u>490,087</u>
Expenses	
Program	416,001
General and administrative	33,430
Fundraising	980
Total Expenses	<u>450,411</u>
Change in Net Assets	39,676
Net Assets, beginning of year	<u>436,400</u>
Net Assets, end of year	<u>\$ 476,076</u>

See Independent Accountants' Review Report and
Notes to the Financial Statements

Castro/Upper Market Community Benefit District, Inc.

**Statement of Cash Flows
Year Ended June 30, 2013**

Cash flows from operating activities:

Change in net assets	\$ 39,676
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:	
Change in assets and liabilities:	
Assessments receivable	(1,562)
Accounts payable and accrued expenses	<u>1,050</u>
Net cash provided by operating activities	<u>39,164</u>
Net change in cash and cash equivalents	<u>39,164</u>
Cash and cash equivalents, beginning of year	<u>423,525</u>
Cash and cash equivalents, end of year	<u>\$ 462,689</u>

See Independent Accountants' Review Report and
Notes to the Financial Statements

Castro/Upper Market Community Benefit District, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2013**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Supplies	\$ 16,799	\$ 1,093	\$ -	17,892
Contracted services	353,584	12,983	980	367,547
Flower baskets	21,523	-	-	21,523
Marketing, events and promotion	14,464	-	-	14,464
In-kind rent	-	6,000	-	6,000
Accounting fees	-	5,969	-	5,969
Information technology/website	5,726	-	-	5,726
Printing and publication	3,905	-	-	3,905
Conference, conventions, meetings	-	2,005	-	2,005
Insurance	-	1,887	-	1,887
Occupancy	-	1,173	-	1,173
Legal fees	-	664	-	664
Dues, licenses, fees	-	660	-	660
Telephone	-	490	-	490
Postage	-	379	-	379
Travel and meals	-	127	-	127
Total Expenses	\$ 416,001	\$ 33,430	\$ 980	\$ 450,411

See Independent 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, 2013

NOTE 1: NATURE OF ACTIVITIES

The Castro/Upper Market Community Benefit District, Inc. (the 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 accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents 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. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. There were no temporarily restricted net assets at June 30, 2013.

Permanently restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of June 30, 2013.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Contributions

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 and grants 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.

Assessments receivable

Assessments receivable primarily consists of delinquent tax assessments owed by property owners. Since the taxpayers will be subject to City enforcement procedures, all assessments are considered to be fully collectible at June 30, 2013.

Although delinquent assessments are subject to penalties and fines, the Organization believes that these amounts will be offset by delays in collections. Accordingly, no receivable has been recognized for penalties and fines and the Organization has not calculated the present value of this receivable.

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 as of June 30, 2013 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Contributed Services

Contributed 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. There were no contributed services that met the criteria for recognition for the year ended June 30, 2013.

Estimates

The preparation of financial statements in conformity with GAAP 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.

Cash Equivalents

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

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization had no assets or liabilities recorded at fair value on June 30, 2013.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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. The Organization had no property and equipment that met this capitalization policy at June 30, 2013.

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

The Organization has evaluated subsequent events and has concluded that as of November 12, 2013 the date that the financial statements were available to be issued, 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 87 % of the Organization's total revenue. 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.

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, 2013:

Reserve for cash flow	\$ 18,814
Mandatory Reserves	165,000
Contract Renewal	70,000
Jane Warner Plaza Upgrade	39,025
Public Art	80,000
Cleaning and Security	30,310
Streetscape Improvements	<u>30,000</u>
Total	<u>\$ 433,149</u>