

File No. 191087

Committee Item No. 8

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: Nov. 13, 2019

Board of Supervisors Meeting:

Date: _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER

- | | | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Annual Report – FY2017-2018</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CPA Report – FY2017-2019</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>OEWD Memo – October 18, 2019</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Referral FYI – October 30, 2019</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Prepared by: John Carroll

Date: Nov. 8, 2019

Prepared by: John Carroll

Date: _____

1 [Lower Polk Community Benefit District - Annual Report - FY2017-2018]

2
3 **Resolution receiving and approving the annual report for the Lower Polk Community**
4 **Benefit District for FY2017-2018, submitted as required by the Property and Business**
5 **Improvement District Law of 1994 (California Streets and Highways Code,**
6 **Sections 36600, *et seq.*), Section 36650, and the District's management agreement with**
7 **the City, Section 3.4.**

8
9 WHEREAS, On June 3, 2014, pursuant to the Property and Business Improvement
10 District Law of 1994 (the "Act"), California Streets and Highways Code Sections 36600 *et*
11 *seq.*, as augmented by Article 15 of the San Francisco Business and Tax Regulations Code,
12 the Board of Supervisors adopted Resolution No. 177-14, expressing the City's intention to
13 establish the Lower Polk Community Benefit District (the "Lower Polk CBD"); and

14 WHEREAS, On July 29, 2014, the Board of Supervisors adopted Resolution
15 No. 314-14 establishing the Lower Polk CBD ("Resolution to Establish") for a period of 15
16 years, commencing FY2014-2015; and

17 WHEREAS, On July 28, 2015, the Board of Supervisors adopted Resolution
18 No. 297-15, authorizing an agreement with the owners' association for the
19 administration/management of the Lower Polk CBD, and a management agreement (the
20 "Management Contract") with the owners' association, the Lower Polk Community Benefit
21 District, was executed accordingly; and

22 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
23 of Supervisors in File No. 150735; and

24 WHEREAS, On November 13, 2018, the Board of Supervisors approved the Lower
25 Polk CBD's annual report for FY2016-2017 in Resolution No. 401-18; and

1 WHEREAS, The Lower Polk CBD has submitted for the Board's receipt and approval
2 the Lower Polk annual report for FY2017-2018 as required by Section 36650 of the Act and
3 Section 3.4 of the Management Contract; and

4 WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in
5 File No. 191087, and is incorporated herein by reference as though fully set forth; and

6 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
7 memorandum report from the City's Office of Economic and Workforce Development, dated
8 October 18, 2019, and documentation from the Lower Polk CBD for the FY2017-2018 Annual
9 Report is on file with the Clerk of the Board of Supervisors in File No. 191087; now, therefore,
10 be it

11 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
12 report for the Lower Polk Community Benefit District for FY2017-2018.



• LOWER POLK •
COMMUNITY BENEFIT DISTRICT

2017/18

ANNUAL REPORT



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POLK
SSC C&C OF SF 08

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➔ Board

➔ Supporters

➔ Diversity

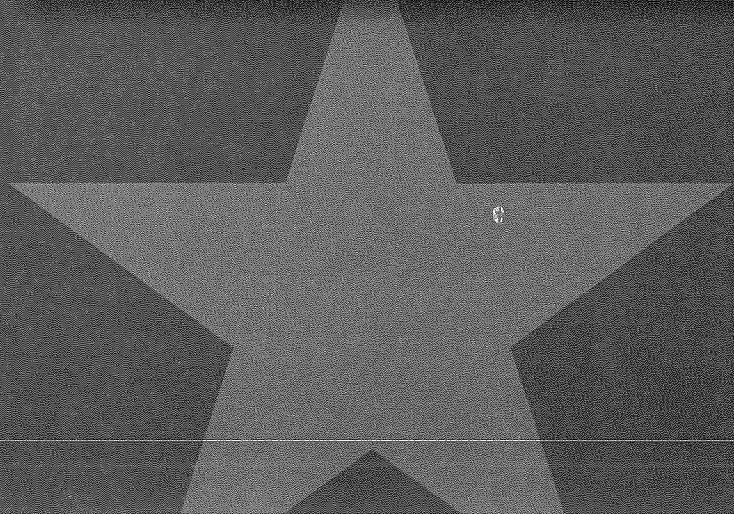
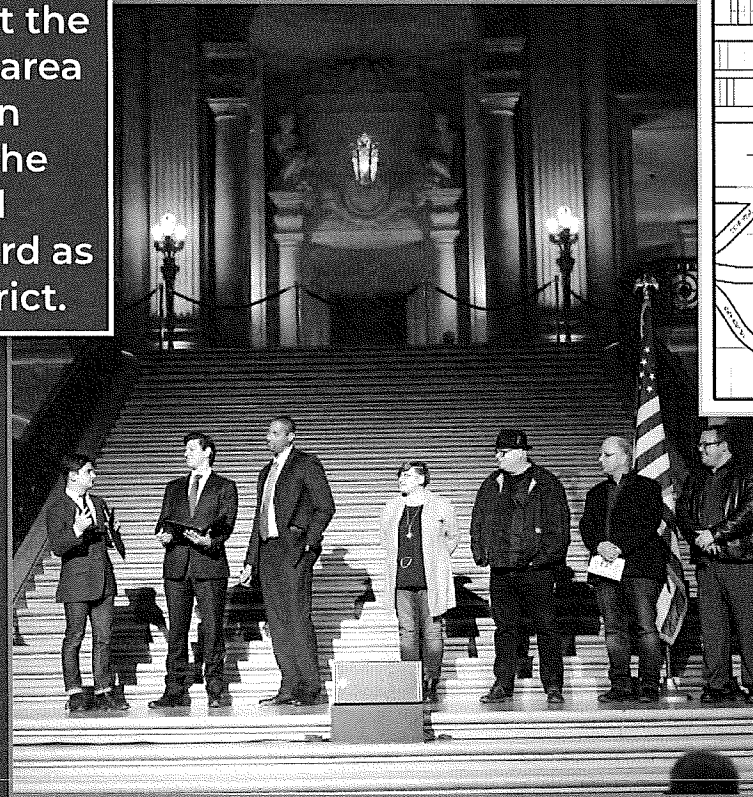
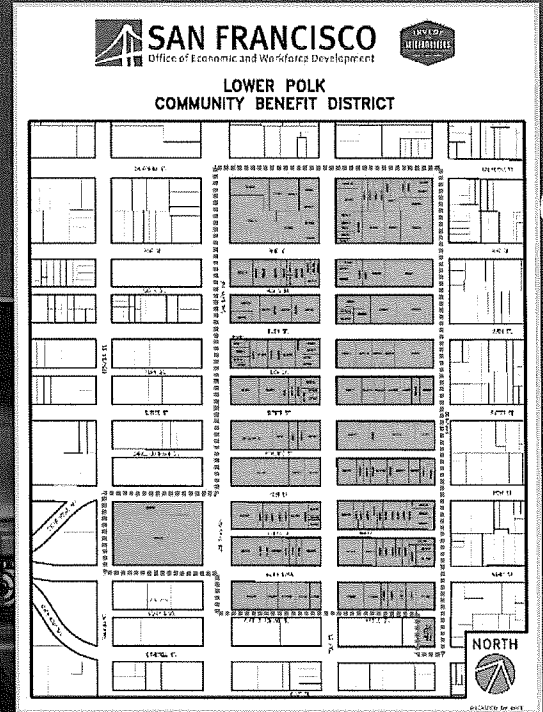
➔ Beauty

➔ Vibrancy

➔ Safety

WORKING TOGETHER

The LPCBD is an award-winning Community Benefit District that began operations in January 2016. Our organization is a 501(c)3 nonprofit that brings public and private stakeholders together to improve the lives of all people who live in, work in, and visit the Lower Polk community, a 22-block area along the Polk Street Corridor. In January 2018, we were awarded the prestigious 2018 Neighborhood Empowerment Network (NEN) Award as The Best Community Benefit District.



A SHARED VISION

Working together with our community, local stakeholders, and the City, our shared vision is to support the quality of life for all people in the Lower Polk.



We Support

A Diverse
Lower Polk

 More

A Beautiful
Lower Polk

 More

A Vibrant
Lower Polk

 More

A Safe and
Clean Lower
Polk

 More

A DIVERSE LOWER POLK



"Thanks for all that you are doing to improve the neighborhood!"

Sheryl, The Natural Mattress Store

The Lower Polk Tenant Landlord Clinic

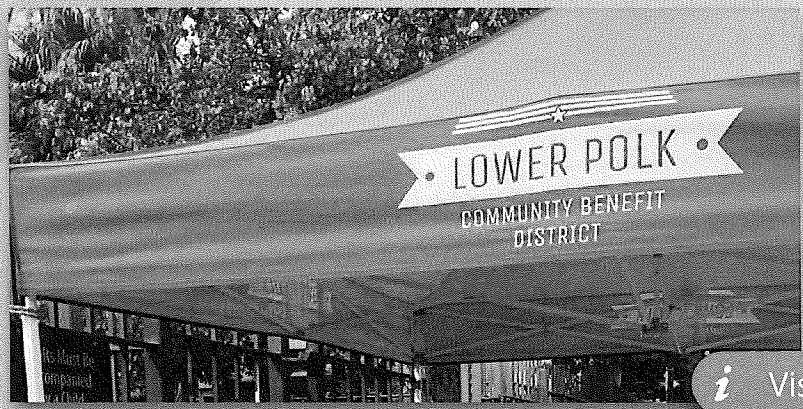


The Lower Polk Tenant Landlord Clinic (TLC) is a unique interdisciplinary program designed to help prevent homelessness by keeping people housed in their current places of abode. We wish to thank Supervisor Aaron Peskin for helping to make this possible.

 Visit

Community Outreach Tent at Sgt. Macaulay Park

We operate a community resource tent seven days per week. This tent, which is located on Larkin Street, near Geary, is staffed with our community outreach workers and provides constantly updated information and referrals to people who need help of any kind.



 Visit

A BEAUTIFUL LOWER POLK

Hemlock Mural

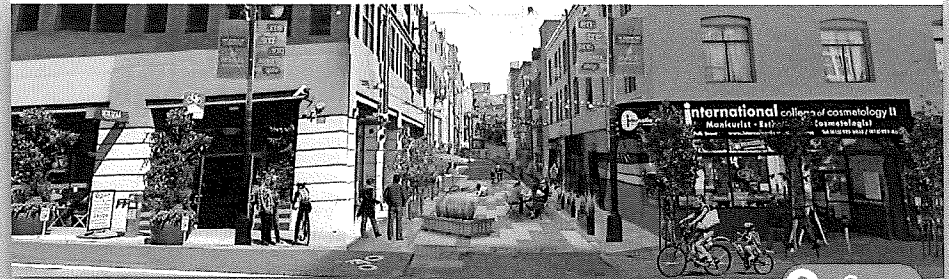
Working closely with six local artists, our community designed a huge mural in Hemlock Alley. This mural is one of the largest murals in San Francisco and is intended to showcase the diversity of our vibrant City.



[See](#)

Streetscape Improvements

Our local community has come together over the last several years to plan and implement a Streetscape Improvement Project for the entire Polk Street Corridor. We are honored to have been an active and vocal part of that community-led process. This Improvement Project was well underway in 2017/2018 and when complete, will feature designated bike lanes, improved alleyways, and pedestrian safety improvements.



[See](#)

Austin Alley Improvements

We are proud to have donated \$50,000 towards the Austin Alley improvement project. When complete, Austin Alley will contain cafe-style seating, a pedestrian walkway, and additional trees, among additional improvements.



[See \(pdf\)](#)

Fern Alley Improvements

The generosity of our donors has allowed us to donate \$50,000 towards improving Fern Alley. The entire alleyway has been redesigned to be both beautiful and pedestrian friendly.



[See](#)

A VIBRANT LOWER POLK!



Our community is unique: the vast majority of our local businesses are locally owned and operated. Together, we work hard against displacement, and we work to support success among our local business people.

Art Walk

The First Thursday Art Walk // Lower Polk Art Walk // Tenderloin Art Walk is a community led monthly event hosted by the Gallery Owners in the Lower Polk // Tenderloin neighborhoods of San Francisco and the Lower Polk Community Benefit District. The Art Walk is every first Thursday of the month from 6:00 pm to 10:00 pm. Each gallery hosts a unique selection of art spanning multiple mediums and styles.

See

Supported By:

Construction Mitigation

Working together with San Francisco's Office of Economic and Workforce Development, and the assistance of local company Civic Edge, we created a detailed brochure that highlights the activities and merchants here in the Lower Polk. In addition, this support allowed us to place street banners along the Lower Polk Corridor.

Download (pdf)

Wine Walk

The Lower Polk Community Benefit District, along with others, sponsors local Wine Walks. These tasting events include merchants offering wine samples inside their stores throughout Polk Street.

See

Blues Festival

During the Fiscal Year, and with the support of the neighborhood, we were instrumental in bringing the Polk Street Blues Festival back to Polk Street.

See

OPEN FOR BUSINESS

From our rich history to our vibrant present, we invite you to visit Lower Polk. Bold murals decorate our alleyways,



A SAFE LOWER POLK

"We're keeping the community clean the best we can."

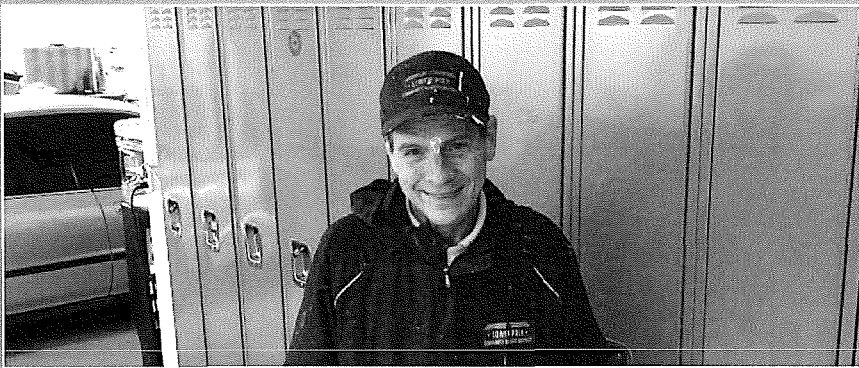
Jim J. - Graffiti Removal Expert.

"Thank you for all the work that you've done so far. I'm grateful daily for the street cleaning that helps make our neighborhood more inviting when often feces and trash blowing in the wind were a normal greeting at my business door!"

Erik, The Blue Buddha

Keeping it clean.

In a typical month, our Ambassadors pick up literally thousands of pounds of trash and hundreds of needles. But perhaps more importantly, our Ambassador program offers job training and employment for people facing hardship.



Keeping it safe.

Our Department of Public works awarded the community a generous grant for a full time monitor for the J.C. Decaux public toilet at Sgt. Macaulay Park. This grant allows for that public toilet to be among a very few that are monitored for safety and cleanliness. We wish to thank Supervisor Aaron Peskin for helping to make this possible.



FINANCIAL STATEMENT

Balance Sheet P/Y flux

Lower Polk CBD
As of June 30, 2018

	JUN 30, 2018	JUN 30, 2017	INCR. / (DECR.)	% CHANGE
Assets				
Current Assets				
Cash and Cash Equivalents				
1001 Chase MM -3551	301,502.25	1,101,087.49	(799,585.24)	(72.62)
1010 Chase checking -3667	133,837.05	169,831.19	(26,994.14)	(16.78)
1011 Chase checking -5651	5,100.00	100.00	5,000.00	5,000.00
1020 Chase checking -6113 (MP)	5,000.00	3,603.82	1,396.18	38.74
Total Cash and Cash Equivalents	445,439.30	1,265,622.50	(820,183.20)	(64.80)
1098 Petty cash	-	16.00	(16.00)	(100.00)
1118 Assessment receivable FY18	22,067.36	-	22,067.36	-
1170 Grants receivable	-	21,070.00	(21,070.00)	(100.00)
1201 Accounts Receivable	230,848.27	-	230,848.27	-
1210 Pledges & grants receivable (MP)	9,357.00	(347.00)	9,704.00	(2,795.54)
1400 Prepaid deposits & Rent	18,457.00	18,913.00	(456.00)	(2.41)
1406 Prepaid Insurance	54,080.25	-	54,080.25	-
1117 Assessment receivable FY17	-	9.00	(9.00)	(100.00)
Total Current Assets	780,249.18	1,305,283.50	(525,034.32)	(40.22)
Fixed Assets				
1510 Computers and office equipment	19,369.99	15,900.00	3,469.99	21.82
1520 Furniture and Fixtures	5,136.45	-	5,136.45	-
1530 Machinery and Equipment	69,984.14	-	69,984.14	-
1580 Vehicles	50,000.00	-	50,000.00	-
1550 Leasehold Improvements	366,704.12	98,211.00	268,493.12	273.38
1610 Accum Depr computer equipment	(9,106.99)	(5,285.00)	(3,821.99)	72.32
1620 Accum Depr furniture & fixtures	(585.75)	-	(585.75)	-
1630 Accum Depr machinery & equipment	(12,262.04)	-	(12,262.04)	-
1680 Accum Depr vehicles	(10,000.00)	-	(10,000.00)	-
1650 Accum Depr LHM	(46,174.92)	-	(46,174.92)	-
1810 Intangible Asset - Website	3,460.00	13,366.02	(9,906.02)	(74.11)
1820 Accum Amortization Website	(564.70)	(2,465.02)	1,900.32	(77.09)
1811 Intangible Asset - 311 App / Banayo	34,200.00	-	34,200.00	-
1821 Accum Amortization 311 App / Banayo	(1,496.92)	-	(1,496.92)	-
Total Fixed Assets	468,663.38	119,727.00	348,936.38	291.44
Total Assets	1,248,912.56	1,425,010.50	(176,097.94)	(12.36)

Balance Sheet P/Y flux

	JUN 30, 2018	JUN 30, 2017	INCR. / (DECR.)	% CHANGE
Liabilities and Equity				
Liabilities				
Current Liabilities				
2010 Accounts Payable	115,111.85	97,451.12	17,660.73	18.12
2130 Accrued PTO & vacation	17,336.85	8,113.00	9,225.85	113.72
2101 Accrued Liabilities	30,552.23	970.53	29,581.70	3,047.99
2993 Uncleared checks	-	11,738.54	(11,738.54)	(100.00)
2080 Fiscal Agent Liability	16,072.93	-	16,072.93	-
2220 Unearned Grant Revenue	280.71	-	280.71	-
2108 Insurance Payable	4,217.09	-	4,217.00	-
2050 Chase credit card - 3486	5,335.84	3,560.31	1,775.53	49.87
Total Current Liabilities	188,909.41	121,833.50	67,075.91	55.06
Total Liabilities	188,909.41	121,833.50	67,075.91	55.06
Equity				
3000 Retained Earnings	-	(584,612.00)	584,612.00	(100.00)
3100 Unrestricted net assets	1,044,416.24	1,866,734.00	(822,317.76)	(44.05)
3200 Temporarily restricted net assets	258,760.76	21,055.00	237,705.76	1,128.98
Current Year Earnings	(243,173.85)	-	(243,173.85)	-
Total Equity	1,060,003.15	1,303,177.00	(243,173.85)	(18.66)
Total Liabilities and Equity	1,248,912.56	1,425,010.50	(176,097.94)	(12.36)

Board of Directors

Al Casciato, President of the Board - Senior VP of Business Development, Bovis Foods

Board President Al Casciato is the Senior VP of Business Development for Bovis Foods representing Spinnerrie Resturant and property ownership on the CBD. Al is a Retired SFPD Captain who once commanded the Northern Station. He is a San Francisco native who attended and graduated from Sacred Heart HS, CCSF and San Francisco State with a degree in Urban Studies. He is very focused on addressing issues involving the mentally ill and homeless members of our community.

Mike Petricca, Vice-President of the Board - Vice President of Campus Safety, Academy of Art University

Mr. Petricca worked as the Chief of Police in Webster City, Iowa from 1987 to 1996. He was the department head of an innovative Police Department with 15 sworn and 6 civilian employees. As Chief of Police, he coordinated the state-wide narcotics task force and implemented crime-prevention strategies locally. Mr. Petricca was also Chief of Police in Sac City, Iowa from 1984 to 1987. Mr. Petricca received his Master of Science degree in Criminal Justice Administration from Central Missouri State University in 1986. He also taught as an Adjunct Professor at Iowa Central Community College and Buena Vista College.

Raul Avila, Treasurer - PTC Chair, Redding Elementary

Raul began a career in Broadcast advertising for the Latin market at Mendoza, Dillon & Associates in 1990 in Los Angeles, California. He was recruited in 1999 by the prestigious Goodby, Silverstein & Partners of San Francisco, California, where he worked on clients such as Got Milk, eTrade, and Budweiser. With the birth of his daughter, Elie, in 2006, Raul decided to become a full-time stay-at-home dad. Since then, he's raised two more beautiful children, Ine and Emil, who are also students at Redding Elementary. Raul has served at Redding as PTC chair for the past 6 years and has lived in the neighborhood since 2000.

Christopher Schulman, Board Member - General Manager, Grassroots

Mr. Schulman has lived in the Lower Polk neighborhood for the past 14 years. He has been involved in neighborhood associations for the past 11 years, including being on the board of the Lower Polk neighbors for much of those 11 years, steering committee for the Lower Polk Community Benefit District and now the Board President.

Lindsey Fisher, Board Member - Vice President, Pacific Eagle

Lindsey Fisher is a Bay Area native and a long-time resident of San Francisco. She serves as Vice President of Development at Pacific Eagle where she oversees the company's development projects, sales, marketing, community outreach and public relations efforts. She is primarily focused on residential projects on the West Coast including San Francisco, Los Angeles and Seattle.

Ms. Fisher has a well-rounded background in real estate which includes development, asset and property management, construction, sales and marketing. She is very interested in collaborative projects between public and private entities in emerging neighborhoods. She has a passion for neighborhood and community involvement and a firm understanding of the participation needed to achieve great things in a vibrant urban environment like Lower Polk.

Vahram Massehian, Board Member - Senior Project Manager, CPMC

Vahram serves as senior project manager for enterprise development at California Pacific Medical Center (CPMC). He's also CPMC's compliance officer to ensure adherence to its development agreement with the City of San Francisco. Prior to CPMC, Vahram worked for the University of California San Francisco on the Mission Bay development and is an alum of the San Francisco Planning Department. Vahram has lived in San Francisco since 2002, where he is raising his daughter.

Tammy Gustin, Board Member - Founder, Sips N Sews

Tammy has a long background in the tech industry. During this time, she turned to sewing as a stress reliever. She eventually left tech to found Sips N Sews, with a mission to provide the sewists of San Francisco and the Bay Area a place to develop and exercise their creativity in sewing. Her goal is to create a community that puts sewing skills back on the list of life experiences.

Community Partners and Supporters

Lower Polk Neighbors

Middle Polk Neighbors

Polk District Merchants Association

La Voz Latina

Supervisor Peskin

Supervisor Kim

Office of the Mayor

Department of Public Works

San Francisco MTA

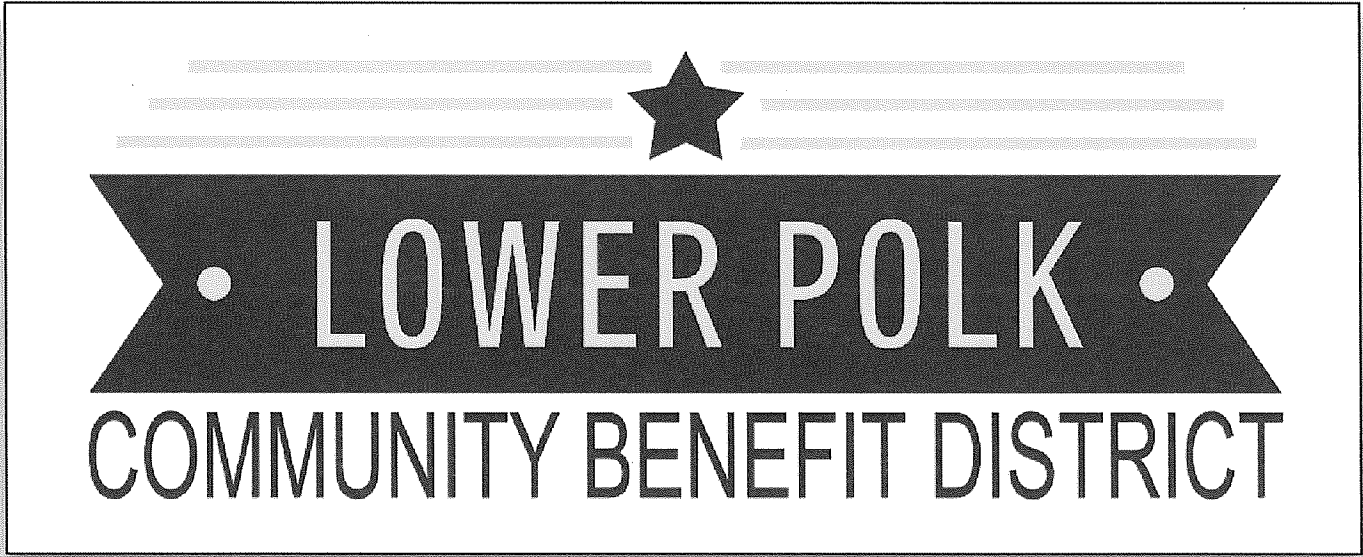
The Bar Association of San Francisco

The Mayor's Office of Housing and Community Development

Discover Polk Community Benefit District

San Francisco Apartment Owners' Association

Sutter Health / CPMC



1170 Sutter Street
San Francisco, California 94109
415-775-1180
lowerpolkcbd.org

Financial Reporting

BENCHMARK 1: Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan

Service Category/Budget Line	SA 74 - Lower Polk		FY 2017-2018									
	Management Plan Budget	General Benefit Dollars	Management Plan Assessment Budget	% of Budget	% Assessment Budget	FY 2017-18 Budget	General Benefit Dollars	FY 2017-18 Assessment Budget	% of Assessment Budget	% of Budget	Variance Assessment Budget	Variance Total Budget
SA 74 - Lower Polk CBD - Cleaning, Maintenance, and Safety	\$ 478,675.00	\$ 26,566.46	\$ 452,108.54	56.58%	56.58%	\$ 637,075.00	\$ 146,232.00	\$ 490,843.00	58.49%	58.49%	1.92%	1.92%
SA 74 - Lower Polk CBD - Marketing, Streetscape Improvements, and Beautification	\$ 95,700.00	\$ 5,311.35	\$ 90,388.65	11.31%	11.31%	\$ 118,212.00	\$ 27,134.00	\$ 91,078.00	10.85%	10.85%	-0.46%	-0.46%
SA 74 - Lower Polk CBD - Management and Operations	\$ 240,900.00	\$ 13,369.95	\$ 227,530.05	28.47%	28.47%	\$ 296,347.00	\$ 68,023.00	\$ 228,324.00	27.21%	27.21%	-1.26%	-1.26%
SA 74 - Lower Polk CBD - Contingency and Reserve	\$ 30,774.54	\$ 1,707.99	\$ 29,066.55	3.64%	3.64%	\$ 37,514.00	\$ 8,611.00	\$ 28,903.00	3.44%	3.44%	-0.19%	-0.19%
0	\$ -	\$ -	\$ -	0.00%	0.00%	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%
0	\$ -	\$ -	\$ -	0.00%	0.00%	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%
0	\$ -	\$ -	\$ -	0.00%	0.00%	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%
TOTAL	\$ 846,049.54	\$ 46,955.75	\$ 799,093.79	100.00%	100.00%	\$ 1,089,148.00	\$ 250,000.00	\$ 839,148.00	100.00%	100.00%		

BENCHMARK 2: General Benefit Requirement 5.55%

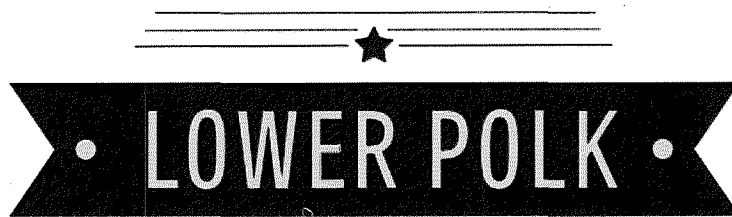
Revenue Sources	FY 2017-2018 Actuals	% of actuals	Source
Assessment Revenue	\$ 874,238.96		
Total Assessment (Special Benefit) Revenue	\$ 874,238.96	77.04%	
Contributions and Sponsorships	\$ 1,500.00	0.13%	SF Farmer's Box
Grants	\$ 258,198.66	22.75%	Various
Donations	\$ -	0.00%	
Interest Earned	\$ 752.76	0.07%	Chase
Earned Revenue	\$ -	0.00%	
Other	\$ 136.00	0.01%	Fiscal Agent Revenue
Total Non-Assessment (General Benefit) Revenue	\$ 260,587.42	22.96%	
Total	\$ 1,134,826.38	100.00%	

BENCHMARK 3: Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points

Service Category/Budget Line	SA 74 - Lower Polk		FY 2017-18									
	FY 2017-18 Budget	Amount from Assessment	Amount from General Benefit	% of Budget (Assessment)	% Budget (Total Budget)	Actuals	Amount from Assessment	Amount from General Benefit	% of Actuals (Assessment)	% of Actuals (Total Budget)	Variance (Assessment)	Variance (Total Budget)
SA 74 - Lower Polk CBD - Cleaning, Maintenance, and Safety Program	\$ 637,075.00	\$ 490,843.00	\$ 146,232.00	58.49%	58.49%	\$ 736,744.00	\$ 511,368.00	\$ 225,376.00	58.49%	51.71%	0.00%	-6.78%
SA 74 - Lower Polk CBD - Marketing, Streetscape Improvements, and Beautification	\$ 118,212.00	\$ 91,078.00	\$ 27,134.00	10.85%	10.85%	\$ 377,704.00	\$ 94,887.00	\$ 282,817.00	10.85%	26.51%	0.00%	15.66%
SA 74 - Lower Polk CBD - Management and Operations	\$ 296,347.00	\$ 228,324.00	\$ 68,023.00	27.21%	27.21%	\$ 264,605.00	\$ 237,872.00	\$ 26,733.00	27.21%	18.57%	0.00%	-8.64%
SA 74 - Lower Polk CBD - Contingency and Reserve	\$ 37,514.00	\$ 28,903.00	\$ 8,611.00	3.44%	3.44%	\$ 45,729.00	\$ 30,112.00	\$ 15,617.00	3.44%	3.21%	0.00%	-0.23%
TOTAL	\$ 1,089,148.00	\$ 839,148.00	\$ 250,000.00	100.00%	100.00%	\$ 1,424,782.00	\$ 874,239.00	\$ 550,543.00	100.00%	100.00%		

BENCHMARK 4: Whether CBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

FY 2017-2018 Carryover Disbursement	Amount	Spenddown Timeline
General Benefit Project		
General Benefit Project 1	\$ 46,949.00	3-6 Months
General Benefit Project 2	\$ 24,069.00	3-6 Months
General Benefit Project 3	\$ 16,862.00	3-6 Months
General Benefit Project 4	\$ 2,914.00	3-6 Months
	\$ -	
	\$ -	
	\$ -	
General Project Total	\$ 90,794.00	
Special Assessment Project		
SA 74 - Lower Polk CBD - Cleaning, Maintenance, and Safety Program	\$ 204,518.00	3-6 Months
SA 74 - Lower Polk CBD - Marketing, Streetscape Improvements, and Beautification	\$ 37,949.00	3-6 Months
SA 74 - Lower Polk CBD - Management and Operations	\$ 95,135.00	3-6 Months
SA 74 - Lower Polk CBD - Contingency and Reserve	\$ 12,043.00	3-6 Months
0	\$ -	
0	\$ -	
0	\$ -	
Special Project Total	\$ 349,645.00	
Total Designated Amount for FY 2017-18	\$ 440,439.00	



**COMMUNITY BENEFIT
DISTRICT**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

LOWER POLK COMMUNITY BENEFIT DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lower Polk Community Benefit District

Report on the Financial Statements

We have audited the accompanying financial statements of Lower Polk Community Benefit District (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lower Polk Community Benefit District as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Financial Information

We have previously audited Lower Polk Community Benefit District's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
August 5, 2019

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 440,439	\$ 1,250,296
Assessments and other receivables	22,067	21,079
Grants receivable	240,205	--
Prepaid expenses	72,537	18,566
Restricted cash	5,000	3,604
Property and equipment, net of accumulated depreciation and amortization	<u>448,662</u>	<u>119,727</u>
Total Assets	<u>\$ 1,228,910</u>	<u>\$ 1,413,272</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 119,326	\$ 97,451
Accrued expenses	<u>94,862</u>	<u>12,644</u>
Total Liabilities	<u>214,188</u>	<u>110,095</u>
Net Assets		
Unrestricted	1,014,722	1,282,122
Temporarily restricted	<u>--</u>	<u>21,055</u>
Total Net Assets	<u>1,014,722</u>	<u>1,303,177</u>
Total Liabilities and Net Assets	<u>\$ 1,228,910</u>	<u>\$ 1,413,272</u>

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenue, Gains, and Other Support				
Assessment revenue	\$ 874,239	\$ --	\$ 874,239	\$ 803,205
Grant revenue	259,699	--	259,699	141,492
Contributions	--	1,500	1,500	62,000
Other income	136	--	136	3,589
Interest	753	--	753	674
Net assets released from restrictions	22,555	(22,555)	--	--
Total Revenue, Gains, and Other Support	<u>1,157,382</u>	<u>(21,055)</u>	<u>1,136,327</u>	<u>1,010,960</u>
Expenses				
Program services				
Cleaning, maintenance, and safety	736,744	--	736,744	1,077,515
Marketing, streetscape, and beautification	377,704	--	377,704	206,605
Supporting services				
Management and general	264,605	--	264,605	295,946
Fundraising	45,729	--	45,729	15,506
Total Expenses	<u>1,424,782</u>	<u>--</u>	<u>1,424,782</u>	<u>1,595,572</u>
Change in Net Assets	(267,400)	(21,055)	(288,455)	(584,612)
Net Assets - Beginning	<u>1,282,122</u>	<u>21,055</u>	<u>1,303,177</u>	<u>1,887,789</u>
Net Assets - Ending	<u>\$ 1,014,722</u>	<u>\$ --</u>	<u>\$ 1,014,722</u>	<u>\$ 1,303,177</u>

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)**

	Program Services			Supporting Services			2018	2017
	Cleaning, Maintenance, and Safety	Marketing, Streetscape, and Beautification	Total	Management and General	Fundraising			
Street maintenance and operations	\$ 295,973	\$ 2,176	\$ 298,149	\$ 5,850	\$ --	\$ 303,999	\$ 850,700	
Salaries and wages	184,044	120,477	304,521	82,529	30,100	417,150	318,668	
Contract services	--	104,241	104,241	--	--	104,241	89,506	
Legal, accounting, and other professional fees	51,868	60,405	112,273	54,417	3,923	170,613	108,049	
Rent and other occupancy expenses	56,275	4,690	60,965	34,798	--	95,763	87,781	
Employee benefits	27,734	20,864	48,598	17,825	4,863	71,286	37,749	
Depreciation and amortization	40,047	15,715	55,762	9,618	2,061	67,441	5,261	
Office supplies and expenses	17,644	16,713	34,357	29,681	21	64,059	25,948	
Insurance	34,877	12,553	47,430	4,379	1,712	53,521	--	
Payroll taxes	16,263	9,843	26,106	7,465	2,417	35,988	28,343	
Meeting, conference and travel	5,321	4,683	10,004	10,344	334	20,682	16,021	
Telephone and internet service	6,518	3,362	9,880	3,953	298	14,131	14,331	
Equipment, maintenance, and repairs	180	--	180	1,565	--	1,745	9,300	
Events and marketing	--	1,982	1,982	2,181	--	4,163	1,490	
Diversion of assets	--	--	--	--	--	--	2,425	
Total	<u>\$ 736,744</u>	<u>\$ 377,704</u>	<u>\$ 1,114,448</u>	<u>\$ 264,605</u>	<u>\$ 45,729</u>	<u>\$ 1,424,782</u>	<u>\$ 1,595,572</u>	

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ (288,455)	\$ (584,612)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	67,441	5,261
(Increase) decrease in assets		
Assessments and other receivables	(988)	(10,552)
Grants receivable	(240,205)	--
Promises to give	--	500,000
Prepaid expenses	(53,971)	22,274
Increase in liabilities:		
Accounts payable	21,875	9,889
Accrued expenses	82,218	5,681
Net Cash Used in Operating Activities	(412,085)	(52,059)
Cash Flows From Investing Activities		
Purchase of capital assets	(396,376)	(105,007)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(808,461)	(157,066)
Cash, Cash Equivalents and Restricted Cash - Beginning	1,253,900	1,410,966
Cash, Cash Equivalents and Restricted Cash - Ending	\$ 445,439	\$ 1,253,900
Balance Sheet Presentation		
Cash and cash equivalents	\$ 440,439	\$ 1,250,296
Restricted cash	5,000	3,604
	\$ 445,439	\$ 1,253,900

The accompany notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lower Polk Community Benefit District (the "LPCBD") is a not-for-profit community-based organization. LPCBD was formed in 2014 and began operations in 2016. The property owners of the business district formed the LPCBD to improve the quality of life in the area by making the area cleaner, safer, and well maintained. The LPCBD has a contract with the City and County of San Francisco (the "City") for a term of 15 years, expiring on June 30, 2029. LPCBD is generally 22 whole or partial blocks from approximately the south side of California Street to the east side of Van Ness Avenue and from the north side of Myrtle Street to the west side of Larkin Street.

LPCBD exists to implement programs to create a neighborhood that is safer, cleaner, and a better place to conduct business and live. These programs and services are funded by district property owners in the Lower Polk neighborhood.

LPCBD's mission statement is as follows:

Lower Polk Community Benefit District will advance the quality of life for residents, workers, and visitors, by fostering a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the area's economic base.

Programs and services provided by the LPCBD include:

- **Cleaning and Maintenance** – Includes regular sidewalk sweeping, alley cleaning, refuse removal, regularly scheduled steam cleanings, pressure washing, graffiti removal, tree pruning and watering, tree well weeding with crushed granite replenishment. On April 30, 2018, LPCBD terminated its contract with an outside vendor to provide the majority of these services and hired a work force to bring these services in-house.
- **Safety Ambassadors** – The program works with residents, merchants and youth on a variety of safety programs and strategies. Safety Ambassadors on Foot Patrol provide a reassuring presence, whom continually engage members of the public, interact with merchants to share safety related information, and report any observed illegal behaviors to the police.
- **Marketing, Streetscape and Beautification Program** – This program is designed to augment existing City services to ensure new marketing initiatives designed to promote both the stability and growth within the area.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

LPCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which involves the application of the accrual method of accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that LPCBD report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of LPCBD are classified and reported as described below:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support LPCBD's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2018 and the year then ended, LPCBD did not have any net assets meeting the definition of permanently restricted.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

LPCBD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of checking and money market accounts.

ASSESSMENTS AND OTHER RECEIVABLES

Assessments and other receivables represent amounts due from the City for obligations of local property owners collected on LPCBD's behalf and other amounts due to LPCBD for City hiring programs. Unpaid receivables do not accrue interest.

LPCBD uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on an evaluation of the outstanding receivables. As of June 30, 2018, management believes all assessments will be collected, and therefore, an allowance for uncollectible assessments was not required.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

LPCBD uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on past experience and management's analysis of promises to give. As of June 30, 2018, management did not have any uncollected promises to give.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

LPCBD capitalized acquisitions of property and equipment with a cost or value in excess of \$1,000 and an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation of vehicles, furniture, and equipment is calculated using the straight-line method based upon estimated useful lives ranging from 5 to 7 years. Depreciation on leasehold improvements is calculated using the straight-line method over the term of the respective lease. Website costs are amortized using the straight-line method over estimated useful life of 3 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation and amortization of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

ACCRUED VACATION

Full-time employees may accrue up to 16.67 hours per month depending on the number of years employed. Part-time employees accrue vacation on a prorated basis. Employees can accrue a maximum of 300 hours of vacation and are entitled to payment of all unused time upon separation from employment.

REVENUE RECOGNITION

Assessment Revenue

LPCBD receives its support primarily from a special assessment levied by the City on properties located within the business district in accordance with City Ordinance. The assessment is recorded by LPCBD when earned. The City remits the assessments to LPCBD as the assessments are collected from the property owners. Interest is not charged on late assessments; however, late penalties are charged in accordance with the City's policy.

Contributions and Grant Revenue

LPCBD recognizes all contributions when they are received or unconditionally promised. Revenues from cost-reimbursement programs are recognized over the grant or contract period as costs are incurred. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of donor-imposed restriction.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Contributions and Grant Revenue (continued)

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, LPCBD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. LPCBD reclassifies temporarily restricted net assets to unrestricted net assets at that time.

LPCBD records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the year ended June 30, 2018, LPCBD did not recognize any contributed goods and services.

Other Income

Other income represents income from City programs and fiscal fees. This revenue is recognized when earned in accordance with program guidelines.

ADVERTISING

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended June 30, 2018 was \$2,650.

INCOME TAXES

LPCBD is a qualified organization exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code ("IRC") and §23701d of the California Revenue and Taxation Code. Accordingly, LPCBD is exempt from federal and California income taxes and is not liable for federal unemployment taxes.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if LPCBD has taken an uncertain position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management evaluated LPCBD's tax positions and concluded that as of June 30, 2018, it maintained its tax-exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in these financial statements.

During the year ended June 30, 2018, the Internal Revenue Service ("IRS") incorrectly placed LPCBD on the auto-revocation list, which denied its tax-exempt status. The IRS acknowledged the error in a letter dated February 14, 2018, and restored its tax-exempt status. LPCBD is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject LPCBD to concentrations of credit risk consist principally of cash and cash equivalents. LPCBD maintains its cash in various bank deposit accounts, which, at times, may exceed federally insured limits. LPCBD has not experienced any losses in cash and cash equivalents and management believes that LPCBD is not exposed to any significant credit risk related to concentrations.

Revenue

During the year ended June 30, 2018, LPCBD received 99.8% of its total income from the City in the form of assessments and revenue from other programs.

FUNCTIONAL EXPENSE ALLOCATIONS

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates and analysis of personnel time spent on each program or activity.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with LPCBD's financial statements as of June 30, 2017, and for the year then ended from which the summarized information was derived.

Certain prior year summarized comparative information has been reclassified to conform to the current year's presentation.

FUNDRAISING REQUIREMENTS

The City's contract requires LPBCD to annually raise not less than 5.55% of its annual budget from sources other than the City's assessments. For the year ended June 30, 2018, LPCBD satisfied this requirement.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued new guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. The FASB also issued ASU 2015-14, which deferred the effective date of ASU 2014-09. The guidance is applicable for annual reporting periods beginning after December 15, 2018. Management does not expect this guidance to materially impact LPCBD's financial statements.

On August 18, 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, representing the completion of the first phase of a two-phase project to amend not-for-profit (NFP) financial reporting requirements as set out in FASB ASC 958, *Not-for-Profit Entities*.

This standard eliminates:

- The distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions).

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- Removes the current requirement to present or disclose the indirect method (reconciliation) when using the direct method of reporting cash flows.
- Requires NFP entities to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.
- Requires NFP entities to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

NFP entities will reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. This amendment eliminates the current option that, in the absence of explicit donor stipulations, had allowed a NFP entity to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed) rather than when placed in service.

ASU 2016-14 also requires enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- Qualitative information that communicates how a NFP entity manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
- Quantitative information and additional qualitative information in the notes as necessary, that communicates the availability of a NFP entity's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.
- Amounts of expenses by both their natural classification and their functional classification and the methods used to allocate costs among program and support functions.
- Underwater endowment funds.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

NFP entities are required to adopt this standard for annual reporting periods beginning after December 15, 2017. Management expects this guidance to change the presentation of the financial statements but not to materially impact the accounting for LPCBD.

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities.

On July 17, 2019, FASB voted to issue proposals to delay the effective date of this ASU by at least one year. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2022 under the proposed delay. Early application is permitted. Management is evaluating the impact of this new guidance.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 applies to all entities, including business entities that receive or make contributions of cash and other assets (except for transfers of assets from government entities to business entities). ASU 2018-08 provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. Making this determination is important because distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in FASB ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*, whereas, for exchange transactions, an entity should follow other guidance (for example, FASB ASC 606, *Revenue from Contracts with Customers*).

ASU 2018-08 could result in more grants and contracts being accounted for as contributions (often-conditional contributions) than under current U.S. GAAP. Accounting for the grant or contract as a contribution is expected to be less costly than applying FASB ASC 606 (including the additional disclosure requirements). ASU 2018-08 also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The ASU requires entities to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Additionally, ASU 2018-08 modifies the simultaneous release option currently in U.S. GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions, if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns.

A not-for-profit organization that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market would apply the new standard for transactions in which the entity serves as a resource recipient to annual reporting periods beginning after June 15, 2018, including interim periods within that annual period. Other organizations would apply the standard to annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is evaluating the impact of this new guidance.

NOTE 2 - RESTRICTED CASH

On September 16, 2017, the Board authorized LPCBD to enter into a fiscal sponsorship agreement with Middle Polk Community Benefit District's ("MPCBD") Steering Committee. Restricted cash represents amounts received to support MPCBD in accordance with this agreement.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018, consist of the following:

Computers and office equipment	\$ 19,370
Furniture and fixtures	5,136
Machinery and equipment	69,984
Leasehold improvements	366,704
Vehicles	25,000
Website	<u>37,660</u>
Total property and equipment	523,854
Less: accumulated depreciation and amortization	<u>(75,192)</u>
Property and Equipment, Net	<u>\$ 448,662</u>

During the year ended June 30, 2018, depreciation and amortization expense was \$67,441.

NOTE 4 - UNRESTRICTED NET ASSETS

Unrestricted net assets as of June 30, 2018 consist of the following:

Capital assets, net	\$ 448,662
Undesignated	<u>566,060</u>
Total	<u>\$ 1,014,722</u>

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2018, net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donor as follows:

Hemlock Mural Project	\$	14,055
Alley Cat Bench Project		7,000
Back to School Project		<u>1,500</u>
Total	\$	<u>22,555</u>

NOTE 6 - RETIREMENT PLAN

Effective January 1, 2016, LPCBD established a defined contribution retirement plan (the "Plan") for employees over 18 years of age. All employees employed on April 27, 2016, are considered eligible. The Plan allows eligible employees to make voluntary contributions by salary reduction up to 92% of compensation but not to exceed the limits allowed by the IRC.

Any eligible employee who does not make a voluntary contribution election or elects out of the Plan, will be automatically enrolled in the Plan with a salary reduction of 3% for the first year, with 1% increases annually up to 6% of compensation. LPCBD will match employee's contributions 100% up to 1% of compensation and 50% from 2% up to 6% of compensation. LPCBD may also make discretionary profit sharing contributions.

During the year ended June 30, 2018, LPCBD made \$10,576 in matching contributions, included in management and general, salaries and wages expenses on the statement of functional expenses. During the year ended June 30, 2018, LPCBD did not make a profit sharing contribution.

NOTE 7 - COMMITMENTS

FUNDING

LPCBD's revenue, which is derived from government grants and contracts, is subject to audit by the governmental agencies. In accordance with the terms of the City's contracts, an audit may be performed by an authorized City representative. Should such an audit disclose any unallowable costs, LPCBD may be liable to the City for reimbursement of such costs.

LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7 - COMMITMENTS (CONTINUED)

FUNDING (CONTINUED)

In the opinion of LPCBD's management the effect of any disallowed costs would be insignificant to the financial statements as of June 30, 2018, and for the year then ended.

LEASE

LPCBD leases office space in San Francisco, California, under an operating lease that commenced on November 1, 2016 and expires October 31, 2021. The lease calls for monthly payments at \$4,200 that escalate to \$8,439 during the fifth year.

The following is a schedule of minimum lease commitments:

For the Years Ending	Office Lease
June 30,	
2019	\$ 94,087
2020	96,901
2021	99,799
2022	<u>33,757</u>
Total	<u><u>\$ 324,544</u></u>

During the year ended June 30, 2018, LPCBD paid rent in the amount of \$94,923.

NOTE 8 - RELATED PARTY TRANSACTION

The Board President of LPCBD is married to the office manager of LPCBD. During the year ended June 30, 2018, the office manager received compensation of approximately \$59,000.

NOTE 9 - SUBSEQUENT EVENTS

LPCBD has evaluated all subsequent events through August 5, 2019, the date the financial statements were available to be issued and has determined there are no material subsequent events that are required to be disclosed.

MEMO

To: Supervisor Aaron Peskin, District 3

CC: San Francisco Board of Supervisors

From: Chris Corgas, Senior Program Manager, OEWD

RE: Lower Polk Community Benefit District FY 2017-2018 Annual Report

Date: October 18, 2019

This is a memo summarizing the performance of the Lower Polk Community Benefit District (LPCBD) and an analysis of their financial statements (based on their audit) for the period between July 1, 2017 and June 30, 2018.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. Lower Polk CBD has complied with the submission of all these requirements. OEWD staff reviewed these financial documents to monitor and report on whether they have complied with the rules per the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 Et Seq.; San Francisco's Business and Tax Regulations Code Article 15; the Lower Polk Community Benefit District's management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2008.

Also attached to this memo are the following documents:

1. LPCBD Annual Report
 - a. FY 2017-2018
2. LPCBD Financial Statements
 - a. FY 2017-2018
3. Draft resolution from the Office of Economic and Workforce Development



Background

The Lower Polk Community Benefit District includes 307 property-based parcels.

- On July 29, 2014, the Board of Supervisors approved the resolution that established the property-based district called the Lower Polk Community Benefit District for 8 years (Resolution # 314-15).
- On July 28, 2015, the Board of Supervisors approved the contract for the administration and management of the Lower Polk Community Benefit District (Resolution # 297-15).
- On August 17, 2015, CBD received first assessment payment.
- On October 24, 2017, the Board of Supervisors approved the Annual Report for FY 2015-2016 (Resolution # 392-17).
- On November 13, 2018, the Board of Supervisors approved the Annual Report for FY 2016-2017 (Resolution # 401-18)

Basic Info about Lower Polk CBD

Year Established	July 2014
Assessment Collection Period	FY 2014-15 to FY 2028-29 (July 1, 2014 to June 30, 2029)
Services Start and End Date	January 1, 2014 – December 31, 2029
Initial Estimated Annual Budget	\$799,093
Fiscal Year	July 1 – June 30
Executive Director	Christian Martin
Name of Nonprofit Owners' Association	Lower Polk Community Benefit District

The current CBD website, www.lowerpolkcbd.com, includes all the pertinent information about the organization and their programs, meeting agendas, and their Management Plan.

Summary of Service Area Goals

Cleaning, Maintenance, and Safety

Cleaning, Maintenance, and Safety program area includes regular sidewalk sweeping, alley cleaning, refuse removal, regularly scheduled steam cleaning, pressure washing, graffiti removal, tree maintenance, and weeding. LPCBD Management Plan calls for 57% of the budget to be spent in this service area.

Marketing, Streetscape Improvement, and Beautification

Street Operations, Beautification and Order service area includes street maintenance and beautification. This service area calls for increased district marketing in order to create neighborhood identity and contribute to the economic vitality of the area. Additionally, this service area will support the district with



events meant to draw visitors to the Lower Polk neighborhood throughout the year. The LPCBD Management Plan calls for 11% of the budget to be spent on this service area.

Management and Operations

The LPCBD Management Plan calls for 28% of the budget to be spent on management and operations. LPCBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for Lower Polk CBD. LPCBD board has seven (7) board members that represent the diverse property owners and businesses in the district. Notice of meetings of the CBD's Board of Directors and CBD Advisory Committees are posted to the website calendar and at the SF Main Library. All Board of Directors meetings are open to the public, and public comment is welcome.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2017-2018

District Identity

- Worked with gallery owners in the lower Polk to host Tenderloin Art Walk, a monthly community led event
- Worked closely with 6 local artists to design a huge mural in Hemlock alley to showcase the diversity of the city
- Built Macaulay Park website
- Planter boxes in Austin, Hemlock, Cedar, and Alice B. Toklas Alleys
- Fern and Austin Alley redesign projects
- Construction mitigation marketing team
- Worked with OEWD and Civic Edge to create a detailed brochure that highlights the activities and merchants in Lower Polk
- Brought the Polk Street Blues Festival back to Polk Street with the support of the neighborhood

Street Operations, Beautification and Order (SOBO)

- 2,828 instances of graffiti removed
- Over 106,500 lbs of trash removed from public rights of way
- Steam cleaned 22,548 feet of linear frontage
- Addressed 157 calls regarding cleaning
- Addressed 26 calls regarding public safety
- Continued to plan and implement a Streetscape Improvement Project for the entire Polk Street Corridor. When completed, the project will feature designated bike lanes, improved alleyways, and pedestrian safety improvements

Administration, Organization and Corporate Operations



- Ensured day-to-day success of programs
- Worked with City officials to address public right of way issues
- Applied for and received grant funding for the Lower Polk/Tenderloin Art Walk, Hemlock Mural Project, restroom services, and a tenant landlord clinic to help prevent homelessness

LPCBD Annual Budget Analysis

OEWD’s staff reviewed the following budget related benchmarks for LPCBD:

- **BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan (*Agreement for the Administration of the “Lower Polk Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Lower Polk Community Benefit District”, Section 3.4 - Annual Reports*)
- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percent (*Agreement for the Administration of the “Lower Polk Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether LPCBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*)

FY 2017-2018

BENCHMARK 1: Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan.

ANALYSIS: LPCBD met this requirement. See tables below. Note: The FY budget includes both general benefit and special assessment dollars. When separating the two the CBD’s variance percentage points did not change.

Service Category	Management Plan Budget	% of Budget	FY 2017-2018 Budget	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety Program	\$478,675.00	56.58%	\$637,075.00	58.49%	+1.92%
Marketing, Streetscape Improvements, and Beautification Program	\$95,700.00	11.31%	\$118,212.00	10.85%	-0.46%



Management and Operations	\$240,900.00	28.47%	\$296,347.00	27.21%	-1.26%
Contingency/Reserves	\$30,774.54	3.64%	\$37,514.00	3.44%	-0.19%
TOTAL	\$846,049.54	100.00%	\$1,089,148.00	100.00%	

BENCHMARK 2: Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue

ANALYSIS: *LPCBD met this requirement. Assessment revenue was \$874,238.96 or 77.04% of actuals and non-assessment revenue was \$260,587.42 or 22.96% of actuals. See table below.*

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$ 874,238.96	
Total assessment revenue	\$ 874,238.96	77.04%
Contributions/Sponsorships	\$1,500.00	0.13%
Grants	\$258,198.66	22.75%
Interest Earned	\$752.76	0.07%
Other	\$136.00	0.01%
Total non-assessment revenue	\$260,587.42	22.96%
Total	\$1,134,826.38	100%

BENCHMARK 3: Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points

ANALYSIS: *LPCBD met this requirement. When separating Special Assessment Dollars (SA) from General Benefit dollars the Lower Polk CBD did meet this requirement. Restricted dollars such as grant dollars often throw off CBD actual spending as they supplement what the CBD is providing to their community. OEWD was able to determine that special assessment dollars were spent with the required variance percentage points and thus did meet this benchmark. See table below.*

Service Category	FY 2017-18 Total Budget	FY 2017-18 Special Assessment (SA) Budget	% of TOTAL BUDGET	% SA Budget	FY 2017-18 Actuals	% of Budget	% SA Budget	Variance % Points (TOTAL BUDGET)	Variance % Points (SA Budget)
Cleaning, Maintenance, and Safety	\$637,075	\$490,843	58.49%	58.49%	\$651,818	47.30%	58.49%	-11.19%	0.00%



Program									
Marketing, Streetscape Improvements, and Beautification Program	\$118,212	\$91,078	10.85%	10.85%	\$342,088	24.82%	10.85%	+13.97%	0.00%
Management and Operations	\$296,347	\$228,324	27.21%	27.21%	\$353,983	25.69%	27.21%	-1.52%	0.00%
Contingency/Reserves	\$37,514	\$28,903	3.44%	3.44%	\$30,112.00	2.19%	3.44%	-1.26%	0.00%
TOTAL	\$1,089,148	\$839,148	100%	100%	\$1,378,001	100%	100%		

BENCHMARK 4: Whether LPCBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: LPCBD met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.

FY 2017-2018 Carryover Disbursement	\$349,645.00	Spenddown Timeline
Special Assessment Project		
Cleaning, Maintenance, and Safety Program	\$204,518.00	3-6 months
Marketing, Streetscape Improvements, and Beautification	\$37,949.00	3-6 months
Management and Operations	\$95,135.00	3-6 months
Contingency and Reserve	\$12,043.00	3-6 months
Total Designated amount for Future Years	\$349, 645.00	

Findings and Recommendations

LPCBD has met all benchmarks as defined on page 4 of this memo.



In winter 2017, the CBD temporarily lost its 501(c)3 designation from the Federal government. Upon OEWD review this was determined to be no fault of the CBD, rather their former accountant who did not understand the organization operates on a fiscal year budget rather than calendar year. LPCBD changed accountants and received a reinstatement later in spring 2018 the organization received a reinstatement letter from the IRS which OEWD has seen proof of.

Lower Polk CBD continues to partner well with the broader Polk Street community through the use of both non-assessment and special assessment dollars. The CBD, through OEWD funding, was able to implement the Lower Polk/Tenderloin Art Walk series and Hemlock Mural Project. Additionally, the CBD responded to community needs by providing PitStop restroom services in front of Sgt. John MaCaulay Park and an innovative tenant landlord clinic to help prevent homelessness before it occurs.

The CBD also procured, on an as needed basis, professional services such as arts program consulting, website development and technical support, homeless outreach consulting, accounting, grant writing assistance and legal services.

Conclusion

LPCBD has performed well in implementing its service plan. LPCBD continues to successfully sponsor and implement events and programs in the district. LPCBD is a well-run organization with active board and committee members and will continue to successfully carryout its mission as a community benefit district.



BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller
Joaquin Torres, Director, Office of Economic and Workforce Development

FROM: John Carroll, Assistant Clerk, Government Audit and Oversight
Committee, Board of Supervisors

DATE: October 30, 2019

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Peskin on October 22, 2019:

File No. 191087

Resolution receiving and approving the annual report for the Lower Polk Community Benefit District for FY2017-2018, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Office of the Controller
Ken Rich, Office of Economic and Workforce Development
J'Wel Vaughan, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development
Chris Corgas, Office of Economic and Workforce Development

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
Time stamp
2019 OCT 22 11:4:22
or meeting date

I hereby submit the following item for introduction (select only one):

BY _____

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Topic submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Supervisor Peskin

Subject:

[Lower Polk Community Benefit District – Annual Report for FY 2017-2018]

The text is listed:

Resolution receiving and approving annual report for the Lower Polk Community Benefit District for fiscal year 2017-2018, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.

Signature of Sponsoring Supervisor: [Signature]

For Clerk's Use Only