LOWER POLK

COMMUNITY BENEFIT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

LOWER POLK COMMUNITY BENEFIT DISTRICT

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lower Polk Community Benefit District

Report on the Financial Statements

We have audited the accompanying financial statements of Lower Polk Community Benefit District ("LPCBD") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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.

Marcum LLP ▪ One Montgomery Street ▪ Suite 1700 ▪ San Francisco, California 94104 ▪ Phone 415.432.6200 ▪ Fax 415.432.6201 ▪ marcumllp.com

Opinion

In our opinion, 2017 financial statements referred to above present fairly, in all material respects, the financial position of Lower Polk Community Benefit District as of June 30, 2017, 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 Information

We have previously audited Lower Polk Community Benefit District's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
August 2, 2018

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017	2016
Assets		
Cash and cash equivalents	$ 1,250,296	$ 1,410,966
Assessments and other receivables	21,079	10,527
Promises to give	--	500,000
Prepaid expenses	18,566	40,840
Restricted cash	3,604	--
Capital assets, net	119,727	19,981
Total Assets	$ 1,413,272	$ 1,982,314
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 97,451	$ 87,562
Accrued expenses	12,644	6,963
Total Liabilities	110,095	94,525
Net Assets		
Unrestricted	1,282,122	1,387,789
Temporarily restricted	21,055	500,000
Total Net Assets	1,303,177	1,887,789
Total Liabilities and Net Assets	$ 1,413,272	$ 1,982,314

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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenue, Gains, and Other Support				
Assessment revenue	$ 803,205	$ --	$ 803,205	$ 1,554,608
Contributions	--	62,000	62,000	1,029,650
Other income	145,081	--	145,081	--
Interest	674	--	674	413
Net assets released from restrictions	540,945	(540,945)	--	--
Total Revenue, Gains, and Other Support	1,489,905	(478,945)	1,010,960	2,584,671
Expenses				
Program services	1,284,120	--	1,284,120	514,592
Supporting services				
Management and administrative	295,946	--	295,946	191,076
Fundraising	15,506	--	15,506	--
Total Expenses	1,595,572	--	1,595,572	705,668
Change in net assets	(105,667)	(478,945)	(584,612)	1,879,003
Net Assets - Beginning	1,387,789	500,000	1,887,789	8,786
Net Assets - Ending	$ 1,282,122	$ 21,055	$ 1,303,177	$ 1,887,789

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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	Program Services			Supporting Services			
	Cleaning and Maintenance and Safety	Marketing, Streetscape and Beautification	Total	Management and Administration	Fundraising	2017 Total	2016 Total
Street maintenance and operations	$ 809,890	$ 40,810	$ 850,700	$ --	$ --	$ 850,700	431,641
Events and marketing	--	90,996	90,996	--	--	90,996	11,069
Salaries and wages	218,275	44,849	263,124	40,038	15,506	318,668	130,903
Employee benefits	18,048	4,593	22,641	3,708	--	26,349	21,220
Payroll fees	7,808	1,987	9,795	1,605	--	11,400	3,545
Payroll taxes	19,842	3,797	23,639	4,704	--	28,343	10,614
Rent and other occupancy expenses	--	--	--	87,781	--	87,781	39,765
Legal, accounting and other professional fees	820	17,585	18,405	89,644	--	108,049	5,845
Meeting, conference and travel	1,461	1,794	3,255	12,766	--	16,021	9,265
Depreciation and amortization	--	--	--	5,261	--	5,261	2,489
Bank fees	--	--	--	1,417	--	1,417	258
Office supplies and expenses	811	194	1,005	23,526	--	24,531	24,159
Equipment, maintenance and repairs	560	--	560	8,740	--	9,300	1,560
Telephone and internet service	--	--	--	14,331	--	14,331	10,196
Diversion of assets	--	--	--	2,425	--	2,425	3,139
Total	$ 1,077,515	$ 206,605	$ 1,284,120	$ 295,946	$ 15,506	$ 1,595,572	$ 705,668

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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	$ (584,612)	$ 1,879,003
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,261	2,489
(Increase) decrease in assets		
Assessments receivable	(10,552)	(10,527)
Promises to give	500,000	(500,000)
Prepaid expenses	22,274	(40,840)
Increase (decrease) in liabilities:		
Accounts payable	9,889	87,562
Accrued expenses	5,681	6,963
Net Cash (Used in) Provided by Operating Activities	(52,059)	1,424,650
Cash Flows From Investing Activities		
Purchase of capital assets	(105,007)	(22,470)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(157,066)	1,402,180
Cash, Cash Equivalents and Restricted Cash - Beginning	1,410,966	8,786
Cash, Cash Equivalents and Restricted Cash - Ending	$ 1,253,900	$ 1,410,966
Balance Sheet Presentation		
Cash and cash equivalents	$ 1,250,296	$ 1,410,966
Restricted cash	3,604	--
	$ 1,253,900	$ 1,410,966

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

Lower Polk Community Benefit District (the "LPCBD") is a nonprofit §501(c)(3) 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.

- **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.

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 accrual 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, 2017 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.

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.

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, 2017, 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, the reputation of the donor, and management's analysis of promises to give. As of June 30, 2017, management believes all promises to give will be collected, and therefore an allowance for uncollectible promises to give was not required.

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

CAPITAL ASSETS

LPCBD capitalizes acquisitions of capital assets 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 on furniture and equipment is calculated using the straight-line method based upon estimated useful lives ranging from 5 to 7 years. Website development costs are amortized using the straight-line method over 3 years. The website is not internally developed. 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.

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
LPCBD recognizes all contributions when they are received or unconditionally promised. 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.

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

REVENUE RECOGNITION (CONTINUED)

Contributions (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.

For the year ended June 30, 2017, LPCBD received temporarily restricted cash contributions of $62,000.

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, 2017, LPCBD did not recognize any contributed goods and services.

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, 2017 was $1,490.

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

ADVERTISING (CONTINUED)

INCOME TAXES

LPCBD is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively.

Management evaluated LPCBD's tax positions and concluded that LPCBD 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, 2017, the Internal Revenue Service ("IRS") incorrectly placed LPCBD on the auto-revocation list in error which denied its tax exempt status. The IRS acknowledged the error in a letter dated February 14, 2018, and restored its tax exempt status.

The 2013 through 2016 tax years remain subject to examination by the IRS. In addition, the 2012 through 2016 tax years remain subject to examination by the California Franchise Tax Board. LPCBD is subject to routine audits by taxing jurisdictions; however, there are no audits 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 such accounts. Management believes that LPCBD is not exposed to any significant credit risk related to concentrations.

Revenue

During the year ended June 30, 2017, LPCBD received 93% of its total income from the City in the form of assessments and revenue from other programs.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying 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 an analysis of personnel time by each program or activity.

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

NEW ACCOUNTING STANDARDS

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 is evaluating the impact of this new guidance.

The FASB issued ASU 2016-02 *Leases (Topic 842)*. Entities that hold equipment and real estate leases, in particular those with operating leases, will be most affected by the new guidance. The amendments in ASU 2016-02 are expected to impact the statement of financial position by adding lease-related assets and liabilities. This may affect the compliance with contractual agreements and loan covenants. Current U.S. GAAP requires only capital (finance) leases to be recognized in the statement of financial position and amounts related to operating leases largely are reflected in the statement of activities and changes in net assets as rent expense and in disclosure to the financial statements.

For operating leases, a lessee is required to do the following:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.

- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis.

- Classify all cash payments within operating activities in the statement of cash flows.

In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply.

An entity that elects to apply practical expedients will use the effective date of the new leases standard as the date of initial application and will not have to adjust their comparative period financial statements for the effects of the new leases standard, or make the new required lease disclosures for periods before the effective date. The new transition method changes when an entity initially applies the transition requirements of ASC 842; however, it does not change how those requirements are applied.

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

NEW ACCOUNTING STANDARDS (CONTINUED)

Entities that elect this transition option will include the disclosures that were required under ASC 840 for each comparative period presented in the financial statements prepared post-adoption, as well as the prior year annual balance sheet disclosures (e.g. operating and/or capital lease maturity tables). The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019. Early application is permitted. Management is evaluating the impact of this new guidance.

Management is evaluating the impact of this new guidance.

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).

- 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.

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

NEW ACCOUNTING STANDARDS (CONTINUED)

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.
- 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.

NFP entities are required to adopt this standard for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

On November 17, 2016, the FASB issued ASU 2016-18, *Restricted Cash*. The amendments require that the statement of cash flows explain the change during the period of total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

The amendment is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted and management retrospectively adopted effective July 1, 2015.

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

SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by 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, 2016, and for the year then ended from which the summarized information was derived.

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, 2017, LPCBD satisfied this requirement.

NOTE 2 - RESTRICTED CASH

Restricted cash represents amounts restricted for use according to a grant received to determine the level of support for the Middle Polk neighborhood. Subsequent to year end, on September 16, 2017, the Board authorized LPCBD to enter into a fiscal sponsorship agreement with Middle Polk Community Benefit District's Steering Committee.

NOTE 3 - CAPITAL ASSETS

Capital assets at June 30, 2017, consist of the following:

Furniture and Equipment	$ 15,900
Website	13,366
Construction-in-progress	98,211
Total furniture and equipment	127,477
Less: accumulated depreciation and amortization	(7,750)
Total	$ 119,727

During the year ended June 30, 2017, depreciation and amortization expense was $5,261.

NOTE 4 - UNRESTRICTED NET ASSETS

Unrestricted net assets as of June 30, 2017 consist of the following:

Capital assets, net	$	119,727
Undesignated		1,162,395
Total	$	1,282,122

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017, may be expended for:

Hemlock Mural Project	$	14,055
Alley Cat Bench Project		7,000
Total	$	21,055

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2017, 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:

Inherent Time Restriction	$	500,000
Hemlock Mural Project		35,945
Alley Cat Bench Project		5,000
Total	$	540,945

NOTE 7 - 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 limit allowed by the IRC.

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Any eligible employee who does not make a voluntary contribution election 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, 2017, LPCBD made $6,600 in matching contributions, included in management personnel expenses on the statement of functional expenses.

NOTE 8 - COMMITMENTS

LPCBD entered into a service agreement with a vendor to perform program services starting May 16, 2016 until May 15, 2019, with the option to extend the term for an additional year. LPCBD is billed monthly for services performed according to stipulated billing rates and service charges. The annual cost of services is not to exceed $478,479, $485,656, and $492,941, in year one, two, and three of this contract, respectively. See Note 10 for subsequent events regarding this contract.

LPCBD entered into two office leases in San Francisco, California. One commencing on September 1, 2015 to August 31, 2017, with monthly payments of $3,517. Another commencing on November 1, 2016 to October 31, 2021, with monthly payments at $4,200 and escalating to $8,439 during the fifth year.

The following is a schedule of minimum lease commitments:

For the Years Ending June 30,	Office Lease
2018	$ 78,584
2019	94,086
2020	96,900
2021	99,798
2022	33,756
Total	$ 403,124

During the year ended June 30, 2017, LPCBD paid rent in the amount of $75,241.

NOTE 9 - RELATED PARTY TRANSACTION

The Board President of LPCBD is married to the office manager of LPCBD. During the year ended June 30, 2017, the office manager received compensation of approximately $55,000.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to June 30, 2017, LPCBD filed for California tax exemption under §23701d of the California Revenue and Taxation Code. A favorable determination letter was received as of June 6, 2018.

As of April 30, 2018, LPCBD terminated its service agreement with the vendor as described in Note 8. This vendor was unable to fulfill the obligations of the agreement. As a result, no termination fees were incurred.

LPCBD has evaluated all subsequent events through August 2, 2018, the date the financial statements were available to be issued and except for the matters noted above, has not identified any matters requiring adjustment to, or disclosure, in the accompanying financial statements.