

CIVIC CENTER COMMUNITY
BENEFIT DISTRICT

FINANCIAL STATEMENTS
JUNE 30, 2014

PKF

CIVIC CENTER COMMUNITY BENEFIT DISTRICT

June 30, 2014

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Change in Net Assets	3
Statements of Cash Flows	4
Notes to the Financial Statements	5-8

Independent Auditor's Report

Board of Directors
Civic Center Community Benefit District
San Francisco, California

We have audited the accompanying statements of financial position of Civic Center Community Benefit District ("District") as of June 30, 2014 and 2013 and the related statements of activities and change in net assets and cash flows for the years ended June 30, 2014 and 2013 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 District'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 District'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 Civic Center Community Benefit District at June 30, 2014 and 2013, and the change in its net assets and its cash flows for the years ended June 30, 2014 and 2013 in conformity with accounting principles generally accepted in the United States of America.

PKF

Certified Public Accountants
A Professional Corporation

January 6, 2015

PKF, Certified Public Accountants, A Professional Corporation
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Statements of Financial Position

	June 30	
	2014	2013
Assets		
Current assets		
Cash	\$ 454,457	\$ 436,343
Accounts receivable, net of allowance for doubtful accounts	95,230	111,043
Security deposit	750	750
Total current assets	<u>550,437</u>	<u>548,136</u>
Furniture and equipment, net	<u>5,993</u>	<u>4,615</u>
Total assets	<u>\$ 556,430</u>	<u>\$ 552,751</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 43,419	\$ 43,915
Accrued expenses	4,399	3,009
Total liabilities	<u>47,818</u>	<u>46,924</u>
Net assets - unrestricted	<u>508,612</u>	<u>505,827</u>
Total liabilities and net assets	<u>\$ 556,430</u>	<u>\$ 552,751</u>

See notes to the financial statements

Statements of Activities and Change in Net Assets

	Year Ended June 30	
	2014	2013
Revenue		
Assessments	\$ 714,467	\$ 725,956
Contributions	9,800	-
Other	3,560	4,902
Total revenue	<u>727,827</u>	<u>730,858</u>
Expenses		
Program services		
Cleaning and graffiti removal	124,990	380,595
Safety	381,808	125,970
Activation	15,270	-
Supporting services		
Facilities and equipment	9,000	16,484
Payroll and related	85,810	80,954
Legal and accounting	6,721	6,553
Bad debt expense (recovery)	83,132	(47,106)
Other	9,889	12,694
Depreciation	8,422	5,563
Total expenses	<u>725,042</u>	<u>581,707</u>
Change in net assets	2,785	149,151
Net assets - beginning of year	<u>505,827</u>	<u>356,676</u>
Net assets - end of year	<u>\$ 508,612</u>	<u>\$ 505,827</u>

See notes to the financial statements

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 2,785	\$ 149,151
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense (recovery)	83,132	(47,106)
Depreciation	8,422	5,563
(Increase) decrease in operating assets		
Accounts receivable	(67,319)	(17,057)
Increase (decrease) in operating liabilities		
Accounts payable	(496)	2,814
Accrued expenses	1,390	1,386
Net cash provided by operating activities	<u>27,914</u>	<u>94,751</u>
Net cash used in investing activities		
Purchase of furniture and equipment	<u>(9,800)</u>	<u>-</u>
Net increase in cash	18,114	94,751
Cash - beginning of year	<u>436,343</u>	<u>341,592</u>
Cash - end of year	<u>\$ 454,457</u>	<u>\$ 436,343</u>

See notes to the financial statements

CIVIC CENTER COMMUNITY BENEFIT DISTRICT

Notes to the Financial Statements
June 30, 2014

Note 1 - Summary of significant accounting policies

Description of business

The Civic Center Community Benefit District ("District"), a not-for-profit organization formed on June 1, 2011, is a special assessment district conceived and organized by a group of concerned Civic Center property owners, arts organizations, government entities, and other stakeholders ("Members"). Funding is provided primarily from special assessments from Members that are collected by the City and County of San Francisco and remitted to the District, pursuant to an administration agreement, dated July 1, 2011.

The goal of the District is to improve coordination and communication around the management, image, safety, beautification and cleanliness of the greater Civic Center area for the benefit of patrons, residents, employees, merchants, property owners and other visitors within the district. The District provides community service ambassadors to assist the public with information and direct them to destinations within the area, made possible by training on local geography, area venues, businesses, transportation systems, and other useful information. They also play a vital role in promoting the Civic Center as safe and friendly. The District also provides teams to respond to maintenance calls to remove graffiti, wash sidewalks or pick up an accumulation of debris on the sidewalk, seven days a week.

Basis of accounting

The financial statements of the District have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenues and gains are recognized when earned and realized, and expenses and losses are recognized when incurred.

Concentration of credit risk

The District maintains bank deposit accounts insured by the Federal Deposit Insurance Corporation up to \$250,000 and, at times, may exceed federally insured limits. The District has not experienced any losses in such accounts. Management believes the District is not exposed to any significant risk related to cash.

Contributions and donated services

The District accounts for contributions and donated services in accordance with FASB ASC Topic 958 for Not-for-Profit entities. In accordance with these provisions, contributions and donated services received are recorded as increases in unrestricted or restricted net assets depending upon the existence or nature of any donor restrictions. For the years ended June 30, 2014 and 2013, the District recorded \$9,800 and \$0 in contributions and donated services, respectively.

All donor restrictions are reported as increases in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets, as net assets released from restrictions.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT

Notes to the Financial Statements
June 30, 2014

Note 1 - Summary of significant accounting policies (continued)

Revenue recognition

Member assessments are invoiced in advance, deferred on the statements of financial position and recognized monthly on a straight-line basis. Contributions are recognized when the donor makes an unconditional promise to give.

Accounts receivable and allowance for doubtful accounts

Accounts receivable generally consists of amounts due from members and are stated at the amount the District expects to collect. When necessary, the District provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. The allowance for doubtful accounts was \$0 and \$8,501 at June 30, 2014 and 2013, respectively.

Furniture and equipment

Furniture and equipment are stated at cost, if acquired, and fair value at the time of contribution, if contributed to the District. Depreciation is provided by the straight-line method based on the estimated useful lives of the depreciable assets ranging from 2 to 3 years. Accumulated depreciation at June 30, 2014 and 2013 was \$5,797 and \$7,176, respectively. Repairs and maintenance are charged to expense as incurred.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Subsequent events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The District evaluates all subsequent events and transactions to determine whether any transaction needs to be recognized or disclosed. The District has evaluated all subsequent events through January 6, 2015, which is the date the financial statements are available to be issued, and has determined no events or transactions need to be recognized or disclosed in these financial statements.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT

Notes to the Financial Statements
June 30, 2014

Note 2 - Income taxes

The District is classified as a Section 501(c)(3) organization under the Internal Revenue Code. The District anticipates receiving exemption under Section 13.2210(e) of the State Revenue and Taxation Code in fiscal year 2013. As a result, the District is exempt from federal income and state franchise taxes. However, income from activities not directly related to the District's tax-exempt purpose is subject to taxation as unrelated business income. There was no income tax expense for 2014 and 2013.

Uncertain tax positions

The District identifies and evaluates all uncertain tax positions and believes that positions taken are more-likely-than-not to be sustained upon examination for all open tax years. The District's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

Reclassifications

Certain amounts in the 2013 financial statements were reclassified to conform to the presentation used in the current year. There was no change on 2013 change in net assets.

Note 3 - Operating lease

The District rents office space subject to an operating lease beginning December 1, 2011, for \$750 per month, plus common area maintenance charges ("CAM"). The lease term is month-to-month, subject to termination by either party. Rent expense, including CAM charges totaled \$9,000 for the years ended June 30, 2014 and 2013, and is included with facilities and equipment expense on the statement of activities and change in net assets.

Note 4 - Outside service contract

The District contracts with MJM Management Group ("MJM") to provide ambassador, janitorial, maintenance and other services on the District's behalf. At June 30, 2014 and 2013, MJM charges \$42,315 per month. The initial contract term expired on January 31, 2014 and a one year extension was exercised. Expense incurred under the contract for the years ended June 30, 2014 and 2013 was \$507,778 and \$506,565, respectively.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT

Notes to the Financial Statements
June 30, 2014

Note 5 - Administration agreement

The District and the City and County of San Francisco entered into an administration agreement whereas, on the District's behalf, the City and County of San Francisco will levy and collect the assessments from the Members through the Members' secured property tax bills. For payments received in conjunction with the first and second installments of secured property taxes, the City and County of San Francisco will remit those funds to the District on or before January 10th and May 10th, respectively. Delinquent assessments will be remitted to District at least once during the final quarter of the fiscal year and from time to time, at the discretion of the Controller of the City and County of San Francisco.