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

FINANCIAL STATEMENTS

June 30, 2011

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

Castro/Upper Market Community Benefit District, Inc.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

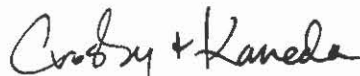
Board of Directors
Castro/Upper Market Community Benefit District, Inc.
San Francisco, California

We have reviewed the accompanying statements of financial position of Castro/Upper Market Community Benefit District, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities, cash flows, and statement of functional expenses for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

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

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants
Oakland, California
March 1, 2012

Castro/Upper Market Community Benefit District, Inc.

**Statement of Financial Position
June 30, 2011**

Assets

Current Assets		
Cash and cash equivalents	\$	372,798
Assessments receivable		<u>64,941</u>
Total Assets	\$	<u>437,739</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$	28,254
Total Liabilities		<u>28,254</u>

Contingencies (Notes 3)

Unrestricted Net Assets		
Board designated (Note 4)		365,000
Other unrestricted		<u>44,485</u>
Total Net Assets		<u>409,485</u>
Total Liabilities and Net Assets	\$	<u>437,739</u>

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

Castro/Upper Market Community Benefit District, Inc.

**Statement of Activities
Year Ended June 30, 2011**

Support and Revenue	
Support	
Contributions/grants	\$ 9,119
In-kind support	3,500
Total Support	<u>12,619</u>
Revenue	
Assessment revenue	404,381
Interest income	1,139
Total Revenue	<u>405,520</u>
 Total Support and Revenue	 <u>418,139</u>
 Expenses	
Program	351,602
General and administrative	33,641
Fundraising	1,599
Total Expenses	<u>386,842</u>
 Change in Net Assets	 31,297
 Net Assets, beginning of year	 <u>378,188</u>
 Net Assets, end of year	 <u>\$ 409,485</u>

See Independent Accountants' Review Report and
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Castro/Upper Market Community Benefit District, Inc.

Statement of Cash Flows
Year Ended June 30, 2011

Cash flows from operating activities:

Change in net assets	\$ 31,297
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:	
Change in assets and liabilities:	
Assessments receivable	(17,332)
Grants receivable	56,851
Accounts payable and accrued expenses	<u>(1,873)</u>
Net cash provided by operating activities	<u>68,943</u>
Net change in cash and cash equivalents	<u>68,943</u>
Cash and cash equivalents, beginning of year	<u>303,855</u>
Cash and cash equivalents, end of year	<u>\$ 372,798</u>

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Castro/Upper Market Community Benefit District, Inc.

Statement of Functional Expenses
Year Ended June 30, 2011

	Program	General and Administrative	Fundraising	Total
Grants	\$	\$ 855	\$	\$ 855
Accounting fees		4,048		4,048
Fees for service	301,947	21,227	1,470	324,644
Supplies	30,989	56		31,045
Telephone		1,238		1,238
Postage	765			765
Advertising and promotion	1,617			1,617
Printing and publication	4,989	117	101	5,207
Information technology/website	2,651	216		2,867
In-kind rent		3,500		3,500
Travel, meals, and entertainment	55	263		318
Conference, conventions, meetings	2,438	152		2,590
Insurance	300	1,500		1,800
Repairs and maintenance	4,863			4,863
Miscellaneous	988	469	28	1,485
Total Expenses	<u>\$ 351,602</u>	<u>\$ 33,641</u>	<u>\$ 1,599</u>	<u>\$ 386,842</u>

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

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1: NATURE OF ACTIVITIES

The Castro/Upper Market Community Benefit District, Inc. (the Organization) was incorporated in California on September 2, 2008 as a non-profit public benefit corporation. Its purpose is to provide services to the Castro and Upper Market Areas within the Benefit District (the District), whose members include the owners of all parcels of land subject to property tax assessments within the geographic area of the Castro and Upper Market as established via legislation adopted by the Board of Supervisors on August 2, 2005 and signed on August 8, 2005 by the Mayor of the City and County of San Francisco (the City).

Upon formation of the district in 2005, its members were subject to multi-year special assessments imposed by the City under the Property and Business Improvement District Law of 1994. Under a contract with the City, the Organization receives these special assessments and, in exchange provides certain services to the members of the District. These services include supplemental security services to maintain order, the clearing and maintenance of sidewalks, the removal of graffiti, enhanced trash emptying in public rights of way, neighborhood beautification and tree-planting programs, and the organization and funding of special events. In addition to the special assessment funds, the contract with the City requires that the Organization raise an additional 5% from private donations to supplement the special assessments.

The annual special assessments imposed by the City will expire on December 31, 2020, unless the District is disestablished earlier by a majority vote of its members. The Organization's contract with the City will expire on December 31, 2020, but would also expire upon the disestablishment of the District.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Special assessment revenue is recognized ratably over the course of the year.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions and has concluded that as of June 30, 2011, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Equivalents

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

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of the date that the financial statements were available for distribution there were no significant subsequent events to disclose.

NOTE 3: CONTINGENCIES

Special benefit assessments are received under a contract with the City and County of San Francisco and represent approximately 97 % of the Organization's total revenue. Under the terms of the contract, the City and County can suspend distributions and ultimately terminate the contract if the Organization fails to provide adequate services to the District or fails to perform other responsibilities. The contract expires on December 31, 2020 and could be terminated at an earlier date if the Castro/Upper Market Community Benefit District is disestablished by a vote of more than 50% of the assessed owners.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4: BOARD DESIGNATED NET ASSETS

Board designated net assets represent unrestricted net assets allocated by the Board of Directors for the following purposes at June 30, 2011:

General reserve for cash flow	\$ 100,000
Matching grant reserve	125,000
Streetscape improvements	<u>140,000</u>
Total	<u>\$ 365,000</u>