



CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2023**

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Castro/Upper Market Community Benefit District, Inc.

We have reviewed the accompanying financial statements of Castro/Upper Market Community Benefit District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company 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'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 the financial statements that are free from material misstatement whether due to fraud or error.

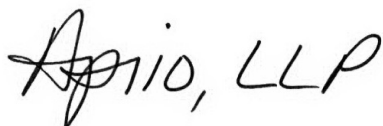
Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Castro/Upper Market Community Benefit District, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States of America.



San Francisco, California

October 25, 2023

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

<u>Current assets</u>	
Cash	\$ 594,673
Assessments receivable	16,408
Grants receivable	126,461
Prepaid expenses	<u>6,226</u>
Total current assets	<u>743,768</u>
 <u>Other assets</u>	
Security deposits	3,185
Right of use asset	<u>37,484</u>
Total other assets	<u>40,669</u>
Total assets	<u>\$ 784,437</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities</u>	
Accounts payable	\$ 86,489
Accrued expenses	8,947
Lease liability	<u>40,888</u>
Total liabilities (all current)	<u>136,324</u>
 <u>Net assets</u>	
Net assets without donor restrictions	214,904
Net assets with donor restrictions	<u>433,209</u>
Total net assets	<u>648,113</u>
Total liabilities and net assets	<u>\$ 784,437</u>

See independent accountants' review report and accompanying notes

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Assessment revenue	\$ 77,997	\$ 778,597	\$ 856,594
Government grants	-	619,851	619,851
Fiscal agent programs	4,300	-	4,300
Contributions	-	24,419	24,419
Interest income	364	-	364
Net assets released from restrictions	<u>1,351,677</u>	<u>(1,351,677)</u>	<u>-</u>
Total support and revenues	<u>1,434,338</u>	<u>71,190</u>	<u>1,505,528</u>
Expenses:			
Program services	1,202,578	-	1,202,578
General and administrative	<u>153,343</u>	<u>-</u>	<u>153,343</u>
Total expenses	<u>1,355,921</u>	<u>-</u>	<u>1,355,921</u>
Change in net assets	78,417	71,190	149,607
Net assets, beginning of year	<u>136,487</u>	<u>362,019</u>	<u>498,506</u>
Net assets, end of year	<u>\$ 214,904</u>	<u>\$ 433,209</u>	<u>\$ 648,113</u>

See independent accountants' review report and accompanying notes

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2023

	Cleaning and Community Services	Landscaping	Fiscal Agency Programs	Marketing and Beautification	Total Program Services	General and Administrative	Total
Street cleaning	\$ 630,590	\$ -	\$ -	\$ -	\$ 630,590	\$ -	\$ 630,590
Community Ambassador Programs	340,676	-	-	-	340,676	-	340,676
Payroll	-	-	1,611	121,556	123,167	76,726	199,893
Marketing and promotional programs	-	-	24,064	48,069	72,133	-	72,133
Rent expense	-	-	735	17,008	17,743	26,826	44,569
Operations expenses	-	-	447	1,532	1,979	24,964	26,943
Payroll taxes and workers' compensation	-	-	179	11,333	11,512	9,279	20,791
Accounting fees	-	-	-	893	893	9,007	9,900
Professional services	-	-	-	-	-	5,575	5,575
Streetscape improvements	-	1,664	2,007	-	3,671	-	3,671
Travel and meetings	-	-	-	-	-	966	966
Social programs and services	<u>214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214</u>	<u>-</u>	<u>214</u>
Total functional expenses	<u>\$ 971,480</u>	<u>\$ 1,664</u>	<u>\$ 29,043</u>	<u>\$ 200,391</u>	<u>\$ 1,202,578</u>	<u>\$ 153,343</u>	<u>\$ 1,355,921</u>

See independent accountants' review report and accompanying notes

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Cash flows from operating activities</u>	
Increase in net assets	\$ <u>149,607</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Amortization of right of use asset	199
Change in operating assets and liabilities:	
Assessments receivable	(8,235)
Grants receivable	430,294
Prepaid expenses	3,812
Accounts payable	85,706
Accrued expenses	2,153
Deferred revenue	(313,350)
Lease liability	<u>(3,146)</u>
Total adjustments	<u>197,433</u>
Cash provided by operating activities	<u>347,040</u>
Net increase in cash	347,040
Cash, beginning of the year	<u>247,633</u>
Cash, end of year	<u>\$ <u>594,673</u></u>

See independent accountants' review report and accompanying notes

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note A
Summary of Significant Accounting Policies

Nature of Activities:

The Castro/Upper Market Community Benefit District, Inc., the Organization, was incorporated on December 7, 2005, as a non-profit public benefit corporation. Its mission is to provide services that improve the quality of life in the neighborhood emphasizing clean, safe, beautiful streets. It also promotes the area's economic vitality, fosters the Castro's unique district identity, and honors its diverse history. All property owners whose parcels of land fall within the Organization's geographic area fund the Organization through a special assessment fee, as established after a majority of property owners, as weighted by the assessment to be paid, voted in favor of establishment of the Organization, for a 15-year life. Legislation in favor of creating the Organization was adopted by the Board of Supervisors on August 2, 2005 and signed on August 8, 2005, by the Mayor of the City and County of San Francisco (the City).

Upon formation of the district in 2005, its members (property owners) were assessed an annual special tax assessment levied by the City under the Property and Business Improvement District Law of 1994. Under a contract with the City and a Management Plan, the Organization receives these special tax assessments and, in exchange, provides certain services to the members of the District. The services include, but are not limited to, supplemental regular cleaning of the sidewalks and curb gutters (sweeping/steam cleaning), graffiti removal, security, marketing, greening and landscaping services, public space management, sponsorship of special events and other district promotional activities, and management and corporate operations. The term of the District expired on December 31, 2020.

To continue services past December 31, 2020, the Organization had to be "renewed" by a vote of the property owners, the board of supervisors and the Mayor. On July 14, 2020, the property owners approved the renewal and expansion of the Organization with a 72% approval of the weighted assessments for another 15 years, until December 31, 2035. The renewal included an increase of 53% in the assessments collected and an expansion of the boundaries, including assessments on parcels above the ground floor. The renewed Organization's name is Castro Community Benefit District. Services funded through assessment dollars are provided in the public realm and include a full array of cleaning services (sweeping sidewalks and curb line, steam cleaning sidewalks, graffiti abatement on public and private property, hazardous waste removal in the footprint); limited landscaping and limited marketing services.

The Castro is known across the globe as a center of the LGBT community. The international LGBT community looks to the Castro for inspiration and leadership. In a time when gayborhoods are disappearing across the country and globe, the Castro stands as a beacon. However, the continued growth of the Castro's LGBT identity is critical to its future as a cultural hub and economically vital community. To help ensure the Castro continues to not only keep, but grow and enhance its LGBT relevance and importance, the Castro/Upper Market Community Benefit District has funded improvements in the public realm that enhance the districts' LGBT identity. The District has funded rainbow striped cross walks at a critical intersection in the Castro, rainbow LED lights on Castro St., a public art project based in the ideas of LGBT people finding a home in the Castro and also a history walk.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note A
Summary of Significant Accounting Policies (Continued)

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation:

Professional accounting standards require that the Organization report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. A description of the net asset categories follows:

Net assets without donor restrictions: The portion of net assets that is not restricted by donor-imposed stipulations or restrictions.

Net assets with donor restrictions: Net assets for which use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization, and net assets held in perpetuity by donor-imposed stipulations. Investment income is available for donor stipulated purposes. Net assets with donor restrictions are reclassified to without donor restrictions upon satisfaction of the time or purpose restrictions.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 statement. Estimates are used for, but not limited to, the accounting for doubtful accounts, inventory valuation, real and personal property taxes, and contingencies. Actual results could differ from these estimates.

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

The Company maintains cash balances at one main financial institution. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of June 30, 2023, the Company's cash balance exceeds such limits by \$344,598. The Company has not experienced any losses in such accounts through the date when the financial statements were available to be issued.

Assessments and Grants Receivable:

Assessments receivable are amounts due from businesses subject to the assessment program. Grants receivable primarily consists of grants from the City and County of San Francisco that have been awarded but for which funds have not yet been received. The Organization provides an allowance for doubtful accounts that is based on prior year bad debt experience. No allowance was deemed necessary at June 30, 2023. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note A
Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment:

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment, ranging from 3 – 7 years. At June 30, 2023, all property and equipment was fully depreciated.

Leases:

The Organization adopted ASC 842 – Leases effective July 1, 2022, with all the available practical expedients, retrospectively at the beginning of the period of adoption. There was no net assets impact on the adoption of ASC 842. The Organization recognizes and measures its leases in accordance with ASC 842 *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right of use (ROU) asset at the commencement date of each lease. The lease liability is initially and subsequently recognized based on the present value of the contract's future lease payments.

Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate, if it is readily determinable, or the Organization's incremental borrowing rate, or a risk-free rate, determined using a period comparable with that of the lease term. The Organization elects to use a risk-free rate as the discount rate.

The Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term. When contracts contain lease and non-lease components, the Organization accounts for both components as a single lease component.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note A
Summary of Significant Accounting Policies (Continued)

Revenue Recognition:

Contracts with Customers:

The Organization adopted Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“ASC Topic 606”) on July 1, 2019, using the modified retrospective method. The Organization’s operating results for reporting periods beginning after July 1, 2019, are presented under ASC Topic 606, while prior period amounts continue to be reported in accordance with historic accounting under Topic 605. The timing and measurement of revenues under ASC Topic 606 is similar to that recognized under previous guidance, accordingly, the adoption of ASC Topic 606 did not have a material impact on the statement of financial position, statement of activities, cash flows, or presentation thereof at adoption or in the current period. There were no changes in the opening net assets balance as a result of the adoption of ASC Topic 606. Revenues are derived from rendering of services to certain affiliate members and are generally recognized when the Organization performs the services. For the year ended June 30, 2023, revenues from affiliate member dues totaled \$0.

Contributions:

On June 21, 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Update is effective to annual periods beginning after June 15, 2018 for resource recipients. The Organization has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in net assets, depending on the nature of the contribution with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note A
Summary of Significant Accounting Policies (Continued)

Assessment revenue is collected by the City of San Francisco and awarded to the Organization. It is treated as contribution revenue subject to the restrictions set forth in the agreement between the City and the Organization governing the administration of the assessment district.

Government grants:

Government grant income is recognized in accordance with the terms of the contract which is generally when the related expenditures are incurred.

Income Tax Status:

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). Accordingly, no provision has been made for such taxes in the accompanying combined financial statements.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited according to the provisions of pertinent grants and a percentage allocation based on time spent on programs and supporting services.

Note B
Commitments and Contingencies

Operating Leases:

The Organization has obligations as a lessee for office space. The lease is classified as an operating lease. Payments due under the lease contracts include mainly fixed payments. ASC 842 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less). As of June 30, 2023, the Organization has no short-term lease expense.

The components of the leases for the year ending June 30, 2023, are as follows:

	<u>Amount</u>
Operating lease cost	\$ 44,872
Cash paid for amounts included in the measurement of lease liabilities - operating lease	\$ 44,366
Weighted-average remaining lease term - operating lease	1.92 years
Weighted-average discount rate - operating lease	2.84 %

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note B
Commitments and Contingencies (Continued)

Maturities of the lease liability under the noncancelable operating leases as of June 30, 2023, are as follows:

<u>Year Ending June 30</u>	<u>Total Lease Payment</u>
2024	\$ 41,373
Less: imputed interest	<u>(485)</u>
Total lease liability	<u><u>\$ 40,888</u></u>

Note C
Liquidity and Availability of Resources

Financial assets available for general expenditure without donor restrictions limiting their use within one year of the balance sheet date comprise the following:

Cash	\$ 594,673
Grants receivable	126,461
Assessments receivable	16,408
Less donor-imposed restricted amount	<u>(433,209)</u>
Total	<u><u>\$ 304,333</u></u>

Note D
Simple IRA Retirement Plan

The Organization has a Simple IRA Retirement Plan which covers all eligible employees. Employees may contribute up to the IRS annual limit. Employee contributions are withheld through payroll and remitted to the respective financial investment institution. Pursuant to the Plan, the Organization matches employee contributions up to 3% of annual compensation. Contributions of \$5,895 were made by the Organization in the year ending June 30, 2023.

Note E
Concentration of Support and Revenue

The Organization received special benefit assessments under a contract with the City and County of San Francisco, which represents approximately 55% of the Organization's total revenue. In addition, the Organization received government grants from the City and County of San Francisco which represent 43% of revenue.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note F

Fiscal Agent Programs

The Organization serves as fiscal agent for two programs. Activity for the programs for the year ended June 30, 2023, is summarized as follows:

	<u>Donations and Grants</u>	<u>Expenses</u>	<u>Balance</u>
18th/Noe Planters	\$ 2,240	\$ 2,240	\$ -
Castro Street Seen	<u>2,060</u>	<u>1,803</u>	<u>257</u>
	<u>\$ 4,300</u>	<u>\$ 4,043</u>	<u>\$ 257</u>

Note G

Net Assets Without Donor Restrictions

Net assets without donor restrictions comprise the following for the year ended June 30, 2023:

Board Designated	\$ <u>214,904</u>
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As part of its budgeting process, the Board has designated the amounts set forth for cleaning, landscaping, marketing and general and administrative expenses.

Note H

Net Assets With Donor Restrictions:

Net assets with donor restrictions and related activity comprise the following for the year ended June 30, 2023:

	<u>June 30, 2022</u>	<u>Contributions and Income</u>	<u>Released from Restrictions</u>	<u>June 30, 2023</u>
Assessments - Administration & Contingency	\$ -	\$ 153,142	\$ 153,142	\$ -
Assessments - Cleaning Services	296,705	614,062	550,020	360,747
Assessments - Landscaping	3,740	2,484	68	6,156
Assessments - Marketing	6,199	8,909	7,957	7,151
General Donations	4,169	10,765	5,004	9,930
Castro Care Donations	37,354	7,220	1,176	43,398
Palm Tree Light Donations	-	4,934	1,801	3,133
Retail Strategy Donations	5,865	-	5,865	-
SF Arts Commission	-	<u>25,000</u>	<u>25,000</u>	-
Sponsorship	500	1,500	2,000	-
OEWD - Castro Care Grant	7,487	452,470	458,087	1,870
OEWD - JWP Grant	-	100,302	99,478	824
OEWD - Retail Strategy	-	<u>42,079</u>	<u>42,079</u>	-
Totals	<u>\$ 362,019</u>	<u>\$ 1,422,867</u>	<u>\$ 1,351,677</u>	<u>\$ 433,209</u>

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note I

Subsequent Events

Management considered all events through October 25, 2023, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. The Organization is not aware of any other significant events that occurred subsequent to June 30, 2023, but prior to the issuance of this report, that would have a material impact on the financial statements.