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

**FINANCIAL STATEMENTS**

**June 30, 2012**

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**CROSBY & KANEDA**  
Certified Public Accountants

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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, 2012, 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.

*Crosby & Kaneda*

Certified Public Accountants  
Oakland, California  
October 19, 2012

**Castro/Upper Market Community Benefit District, Inc.**

**Statement of Financial Position  
June 30, 2012**

**Assets**

<b>Current Assets</b>	
Cash and cash equivalents	\$ 423,525
Assessments receivable	39,883
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<b>Total Assets</b>	<b>\$ 463,408</b>
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**Liabilities and Net Assets**

<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 27,008
<b>Total Liabilities</b>	<b>27,008</b>
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**Contingencies (Notes 3)**

<b>Unrestricted Net Assets</b>	
Board designated (Note 4)	409,485
Undesignated	26,915
<b>Total Net Assets</b>	<b>436,400</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$ 463,408</b>
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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, 2012**

<b>Support and Revenue</b>	
Assessment revenue	\$ 407,542
Contributions and grants	20,959
In-kind support	3,500
Interest income	786
Total Support and Revenue	<u>432,787</u>
<b>Expenses</b>	
Program	359,207
General and administrative	45,594
Fundraising	1,071
Total Expenses	<u>405,872</u>
Change in Net Assets	26,915
Net Assets, beginning of year	<u>409,485</u>
Net Assets, end of year	<u>\$ 436,400</u>

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

**Castro/Upper Market Community Benefit District, Inc.**

**Statement of Cash Flows  
Year Ended June 30, 2012**

**Cash flows from operating activities:**

Change in net assets	\$ 26,915
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:	
Change in assets and liabilities:	
Assessments receivable	25,058
Accounts payable and accrued expenses	<u>(1,246)</u>
Net cash provided by operating activities	<u>50,727</u>
Net change in cash and cash equivalents	<u>50,727</u>
Cash and cash equivalents, beginning of year	<u>372,798</u>
Cash and cash equivalents, end of year	<u><u>\$ 423,525</u></u>

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

**Castro/Upper Market Community Benefit District, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2012**

	Program	General and Administrative	Fundraising	Total
Grants	\$ 1,648	\$	\$	\$ 1,648
Accounting fees		6,941		6,941
Fees for service	303,342	29,433	1,071	333,846
Supplies		101		101
Telephone		729		729
Postage		602		602
Printing and publication	2,200			2,200
Equipment rental/maintenance		355		355
Dues, licenses, fees		1,853		1,853
Advertising and promotion	589			589
Information technology/website	4,853			4,853
In-kind rent		3,500		3,500
Travel, meals, and entertainment	91			91
Conference, conventions, meetings		1,811		1,811
Streetscape improvements/district identity	29,974	269		30,243
Flower basket program	8,780			8,780
Ambassador program	7,730			7,730
<b>Total Expenses</b>	<b>\$ 359,207</b>	<b>\$ 45,594</b>	<b>\$ 1,071</b>	<b>\$ 405,872</b>

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, 2012

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### 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 accounting principles generally accepted in the United States of America (GAAP).

#### **Basis of Presentation**

The Organization presents 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. The three classes are differentiated by donor restrictions.

*Unrestricted net assets* – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

*Temporarily restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Board in accordance with the California Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA). There were no temporarily restricted net assets at June 30, 2012.



# CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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*Permanently restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of June 30, 2012.

### **Contributions**

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.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. 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 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 reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization considers all contributions to be fully collectible at June 30, 2012. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

### **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 as of June 30, 2012 and is not aware of any significant uncertain tax positions for which a reserve would be necessary.

### **Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received only 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. In-kind contributions consisted of facility use for the year ended June 30, 2012.

### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of

# CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **Cash Equivalents**

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

### **Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization had no assets or liabilities recorded at fair value on June 30, 2012.

### **Inventory**

The Organization reports inventory at cost, computed on the first-in, first-out basis.

### **Property and Equipment**

All acquisitions of property and equipment in excess of \$1,000 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. The Organization had no property and equipment that met this capitalization policy at June 30, 2012.

### **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.

# CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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### Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of October 19, 2012 the date that the financial statements were available to be issued, 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 95 % 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.

### 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, 2012:

Reserve for cash flow	\$ 165,000
CBD Renewal Costs	70,000
Streetscape Improvements	<u>174,485</u>
Total	<u>\$ 409,485</u>

### NOTE 5: CONCENTRATIONS OF RISK

#### Cash

The Organization maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions and management believes the organization is not exposed to significant risk on such amounts.