
OCEAN AVENUE ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

OCEAN AVENUE ASSOCIATION

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Ocean Avenue Association
San Francisco, California

We have reviewed the accompanying consolidated financial statements of Ocean Avenue Association (the Organization), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements. 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 consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' 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 American Institute of Certified Public Accountants. 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 consolidated 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.

Accountants' Conclusion

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

Report on Summarized Comparative Information

The accompanying summarized comparative information as of and for the year ended June 30, 2017 is derived from financials that were previously reviewed by us and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated February 16, 2018. We have not performed procedures in connection with that review engagement since that date.

Croby & Lameda CPAs LLP

Oakland, California

May 1, 2019

OCEAN AVENUE ASSOCIATION
Consolidated Statement of Financial Position
June 30, 2018
(With Comparative Totals as of June 30, 2017)

	2018	2017
Assets		
Current Assets		
Cash	\$ 197,415	\$ 186,859
Assessments receivable	9,494	24,921
Grants receivable	35,537	10,455
Due from City	9,798	37,722
Total Assets	\$ 252,244	\$ 259,957
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	\$ 7,763	\$ 1,618
Unrestricted net assets	244,481	258,339
Total Liabilities and Net Assets	\$ 252,244	\$ 259,957

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

OCEAN AVENUE ASSOCIATION

**Consolidated Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Support and Revenue		
Government grants	\$ 100,365	\$ 71,763
Assessment revenue	321,539	321,231
Miscellaneous income	<u>7,607</u>	<u>4,001</u>
Total Support and Revenue	<u>429,511</u>	<u>396,995</u>
Expenses		
Program	352,417	337,921
Management and General	65,005	59,520
Fundraising	<u>25,947</u>	<u>23,874</u>
Total Expenses	<u>443,369</u>	<u>421,315</u>
Change in net assets	(13,858)	(24,320)
Unrestricted Net Assets, beginning of year	<u>258,339</u>	<u>282,659</u>
Unrestricted Net Assets, end of year	<u>\$ 244,481</u>	<u>\$ 258,339</u>

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

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Consolidated Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (13,858)	\$ (24,320)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Change in assets and liabilities:		
Assessments receivable	15,427	49,785
Grants receivable	(25,082)	(7,255)
Due from City	27,924	(31,605)
Accrued liabilities	6,145	1,150
Net cash provided (used) by operating activities	<u>10,556</u>	<u>(12,245)</u>
Net change in cash	10,556	(12,245)
Cash, beginning of year	<u>186,859</u>	<u>199,104</u>
Cash, end of year	<u><u>\$ 197,415</u></u>	<u><u>\$ 186,859</u></u>

See Independent Accountants' Review Report
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OCEAN AVENUE ASSOCIATION

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

	Program	Management and General	Fundraising	Total	
				2018	2017
Salaries	\$ 98,926	\$ 26,577	\$ 22,148	\$ 147,651	\$ 143,198
Retirement contributions	4,175	1,122	935	6,232	4,222
Employee benefits	921	248	206	1,375	1,351
Payroll taxes	8,341	2,241	1,868	12,450	11,746
Total Personnel	<u>112,363</u>	<u>30,188</u>	<u>25,157</u>	<u>167,708</u>	<u>160,517</u>
Fee for service	225,948	18,687	-	244,635	240,321
Advertising and promotion	14,106	-	-	14,106	4,550
Supplies and office expenses	-	7,771	390	8,161	2,320
Travel and meals	-	1,591	-	1,591	-
Conferences and meetings	-	545	-	545	831
Insurance	-	2,240	-	2,240	6,947
Licenses, fees and other expense	-	3,983	400	4,383	5,829
Total Expenses	<u>\$ 352,417</u>	<u>\$ 65,005</u>	<u>\$ 25,947</u>	<u>\$ 443,369</u>	<u>\$ 421,315</u>

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

OCEAN AVENUE ASSOCIATION

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for the Year Ended June 30, 2017)

NOTE 1: NATURE OF ACTIVITIES

The Ocean Avenue Association (the Organization) is a California nonprofit corporation that manages the Community Benefit District (CBD) established in December of 2010. Services began in July 2011 along the Ocean Avenue corridor in the Oceanview-Merced-Ingleside neighborhood. The Organization's mission is to revitalize the Ocean Avenue corridor from Interstate 280 to Manor Drive through sanitation, safety programs, marketing, promotion and advocacy for property and business owners.

The Organization is committed to making the Ocean Avenue corridor a vibrant and safe place by providing programs and services that improve the quality of life for those who live and work in the community. Entrepreneurs, merchants and neighborhood stakeholders benefit from the Organization in numerous ways. The Organization advocates for local businesses by reaching out to elected officials and City agencies on topics such as zoning, urban design, and tax policy. The Organization also serves as an ombudsman, helping members to access public services.

The Organization provides supplemental sanitation services 6 days a week, inclusive of sidewalk sweeping, reporting incidents to 311, graffiti removal from private and public property and power washing sidewalks and transit boarding islands.

The Organization also promotes the district through publications, programs, and advertising by supporting a range of community events, from holiday decorations to summer events.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated 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 Consolidation

The Organization has the ability to appoint a majority of the board of the Ingleside Community Fund (the Fund), a California nonprofit corporation. The Fund had no income, expenses or net assets during the year ended June 30, 2018. For presentation, GAAP requires that activities of entities that have a majority of their board controlled by another entity be consolidated / combined.

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.

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**Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

Temporarily restricted net assets – represent contributions and other inflows of assets 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. There were no temporarily restricted net assets at June 30, 2018.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of June 30, 2018.

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 consolidated statement of activities as net assets released from restrictions.

Assessments and Grants Receivable

Assessments receivable primarily consists of delinquent tax assessments owed by property owners. Since the taxpayers will be subject to City enforcement procedures, all assessments are considered to be fully collectible at June 30, 2018.

Although delinquent assessments are subject to penalties and fines, the Organization believes that these amounts will be offset by delays in collections. Accordingly, no receivable has been recognized for penalties and fines and the Organization has not calculated the present value of this receivable.

The Organization considers all grants receivable to be fully collectible at June 30, 2018. 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.

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Notes to the Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for the Year Ended June 30, 2017)

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)(4) and the California Revenue and Taxation Code Section 23701(f). The Organization has evaluated its current tax positions as of June 30, 2018 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the consolidated 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. There were no contributed services that met the criteria for recognition for the year ended June 30, 2018.

Estimates

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

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 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

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

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on June 30, 2018.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives

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**Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

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, 2018.

Functional Allocation of Expenses

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

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of May 1, 2019 the date that the consolidated financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: CONCENTRATIONS

Special benefit assessments are received under a contract with the City and County of San Francisco and represent approximately 75% 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 June 30, 2025 and could be terminated at an earlier date if the Organization is disestablished by a vote of more than 50% of the assessed owners.

NOTE 4: RETIREMENT PLAN

The Organization sponsors a Simple IRA retirement plan for employees. The Organization contributes 3% of gross salary for each eligible employee. The Organization contributed \$6,232 and \$4,222 to the plan during the years ended June 30, 2018 and 2017, respectively.