

# **Japantown Community Benefit District, Inc.**

## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

### **ON FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021

**Prepared by:**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

March 15<sup>th</sup>, 2022

To the Board of Directors  
Japantown Community Benefit District, Inc.

We have reviewed the accompanying Statement of Financial Position, Statement of Activities, on Accrual Basis of Japantown Community Benefit District, Inc as of June 30<sup>th</sup>, 2021, and the related statements of revenue, expenses, and statement of cash flows on accrual basis for the year then ended. A review includes primarily applying analytical procedures to board of directors' financial data and making inquiries of 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 the accrual basis of accounting 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 (SSARS) issued by the American Institute of Certified Public Accountants (AICPA). 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 the income tax basis of accounting, as described in Note 2.

Sincerely,



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# Japantown Community Benefit District, Inc.

## Statement of Financial Position

As of June 30, 2021

	<u>Total</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	849,702
A/R Other	7,590
Prepaid Expense	3,060
<b>Total Current Assets</b>	<u><b>860,352</b></u>
<b>Fixed Assets</b>	
Safe City Equipment	562,745
Accumulated Depreciation	-242,325
<b>Total Fixed Assets</b>	<u><b>320,420</b></u>
<b>TOTAL ASSETS</b>	<u><u><b>1,180,772</b></u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable (A/P)	13,470
<b>Total Current Liabilities</b>	<u><b>13,470</b></u>
<b>NET ASSETS</b>	
Without Donor Restrictions	388,825
With Donor Restrictions	778,477
<b>Total Net Assets</b>	<u><u><b>1,167,302</b></u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u><b>1,180,772</b></u></u>

**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Assessment's revenue	\$ 392,410	\$ -	\$ 392,410
Grants and contributions	23,543	550,327	573,870
Heart of Jtown Admin Income		10,370	10,370
Total revenues and support	<u>415,953</u>	<u>560,697</u>	<u>976,650</u>
<b>EXPENSES</b>			
Program services	845,086	-	845,086
Management and general	<u>112,806</u>	<u>-</u>	<u>112,806</u>
Total expenses	<u>957,892</u>	<u>-</u>	<u>957,892</u>
<b>CHANGE IN NET ASSETS</b>	(541,939)	560,697	18,758
<b>NET ASSETS - beginning of year</b>	<u>930,764</u>	<u>217,780</u>	<u>1,148,544</u>
<b>NET ASSETS - end of year</b>	<u>\$ 388,825</u>	<u>\$ 778,477</u>	<u>\$ 1,167,302</u>

JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2021

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	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Economic enhancement expenses	\$ 63,374	\$ -	\$ 63,374
Environmental enhancement expenses	131,022	-	131,022
Depreciation expense	158,523	-	158,523
Heart of Jtown Resiliency Fund	426,500	2,633	429,133
Salaries	57,627	37,013	94,640
Legal and professional services	-	25,203	25,203
Payroll expenses	4,623	3,331	7,954
Advocacy Administrative		6,973	6,973
Office expenses	-	28,460	28,460
Occupancy	3,229	721	3,950
Outside services	188	1,000	1,188
Insurance	-	7,472	7,472
<b>Total expenses</b>	<b><u>\$ 845,086</u></b>	<b><u>\$ 112,806</u></b>	<b><u>\$ 957,892</u></b>

**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**

**STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2021**

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	<b>Total</b>
<b>OPERATING ACTIVITIES</b>	
Net Income	18,759
Adjustments to reconcile Net Income to Net Cash provided by operations:	
A/R Assessment Revenues	1,015
A/R Other	2,520
Prepaid Expense	6,913
Accumulated Depreciation	94,073
Accounts Payable (A/P)	12,255
Agency Reserves	50,000
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	<b>166,776</b>
Net cash provided by operating activities	<b>185,535</b>
<b>FINANCING ACTIVITIES</b>	
Retained Earnings	-50,110
Net cash provided by financing activities	<b>-50,110</b>
Net cash increase for period	<b>135,425</b>
Cash at beginning of period	714,277
Cash at end of period	<b>849,702</b>

## JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.

### 1. ORGANIZATION

Japantown Community Benefit District, Inc. (the "JCBD") is a not-for-profit organization formed on October 19, 2017, pursuant to a management contract with the City and County of San Francisco (the "City"). Refer to Note 6.

The JCBD, located in San Francisco, California, has specific charitable purpose to advance the common good, general welfare and quality of life of all San Franciscans, and of visitors to San Francisco, by enhancing environmental quality and beauty in the Japantown Community Benefit District (the "District"), by fostering a safer and more secure community in that District, and by reinforcing the cultural heritage and economic vitality of that District, and to carry on other charitable activities associated with these goals as allowed by law.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Accounting*

The financial statements are as of and for the year ended June 30, 2021, and are presented in accordance with generally accepted accounting principles promulgated in the United States of America for Not-For-Profit Organizations ("U.S. GAAP").

#### *Basis of Presentation*

The organization prepares its financial statements on the accrual basis of accounting. This method recognizes revenues and expenses in the period in which they occur.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the JCBD and changes therein are classified and reported as follows:

#### *Net Assets Without Donor Restrictions*

Those net assets which are not subject to donor-imposed stipulations. Net assets without donor restrictions also include funds designated by the board of directors for specific projects. The JCBD currently has no board-designated net assets.

#### *Net Assets with Donor Restrictions*

Those net assets that are subject to donor-imposed stipulations that may or will be met by actions of the JCBD and/or the passage of time, and net assets to be held in perpetuity as directed by donors. The JCBD currently has no net assets to be held in perpetuity.



## **JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Cash and Cash Equivalents***

Cash consists of a checking account. JCBD considers short- and highly liquid investments with original maturities of three months or less from the dates of acquisition as cash equivalents. There were no cash equivalents as of June 30, 2021.

### ***Fixed Assets***

There are \$562,745 worth of building/Furniture/Instruments/Equipment/etc. in the current year. Assets placed in service in previous years are depreciated according to the straight-line depreciation in effect at the time of acquisition

### ***Assessments Receivable***

Assessment's receivable represents obligations of the city due to the JCBD. The allowance for doubtful accounts is determined based on the collectability of receivables. Receivables are written off when it is probable that the receivables will not be collected. Management believes that all outstanding assessments receivable is collectible in full, therefore no allowance for doubtful accounts has been provided. All assessments receivable is due within one year.

### ***Pledges Receivable***

Unconditional pledges receivable is recorded when the pledge is made; such receivable is subject to an allowance for uncollectible amounts. Pledges which are due beyond one year are recorded at the net present value of the contribution. The changes in present value in future periods are recorded in the statement of activities as contributions in the periods of change. On June 30, 2021, management believes these amounts are fully collectible, and as such, did not record an allowance for doubtful accounts for grants receivable. All pledges receivables are due within one year.

### ***Property and Equipment***

Property and equipment with a cost or value in excess of \$5,000, are capitalized by the JCBD at cost or, if donated, recorded at fair value at the date of the donation. The cost of additions and major improvements is capitalized, while maintenance and repairs are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in other income. Depreciation is provided on the straight-line method over the estimated useful life of five years.

The JCBD reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows

## **JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**

expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management believes there were no indicators of impairment at June 30, 2021.

### ***Revenue Recognition***

#### *Assessments Revenue*

JCBD received assessments which are collected by the City under the terms of the agreement between the City and JCBD (refer to Note 4).

Assessment's revenue which includes fines and penalties are accounted for as support and recognized when notification of the assessment is received from the city.

#### *Grants and contributions*

Unconditional grants and contributions and pledges are recognized at their fair value in the period notified.

Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional grants and contributions are recognized once conditions associated with the contributions have been fulfilled.

### ***Income Taxes***

The JCBD is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise taxes under Section 23701d of the Revenue and Taxation Code. In addition, the JCBD qualifies for the charitable contribution deduction under Section 170(b)(1)(A). However, income from activities not related to the JCBD's tax-exempt purpose may be subject to taxation as unrelated business income.

U.S. GAAP provides disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and does not believe that the JCBD has any uncertain tax positions that require adjustment or disclosure in the financial statements. The JCBD's returns are subject to examination by federal and state taxing authorities, generally for three to four years, respectively, after they are filed.

**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Functional Expenses***

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are identified with a specific program or support service and are charged directly to that program or support service. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

**3. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2021:

Equipment	\$ 562,745
Less: accumulated depreciation	<u>(242,325)</u>
	<u>\$ 320,420</u>

For the year ended June 30, 2021, depreciation expense amounted to \$94,073.06

**4. ASSESSMENTS REVENUE**

In April of 2017, the city developed the Japantown Community Benefit District Plan (the “Management Plan”) to improve the appearance and safety of the district which encompasses approximately seven whole and partial blocks in the commercial core of Japantown. The Plan is also to increase building occupancy and lease rates, and to encourage new business development and attract ancillary businesses and services.

On January 18, 2018, an agreement was entered into between the City and the JCBD, to implement, administer and provide the property-related services, improvements, and activities, in accordance with the Plan for a term expiring on June 30, 2027.

The JCBD receives its support primarily from the multi-year special assessment levied by the City on Identified Parcels (as defined in Section 53750(g) of the Government Code) located within the district. The assessments may only be used to fund property-related services, improvements, and activities, as defined, within the district in accordance with the Plan.

**5. RETAINED EARNING**

There are total of \$50,00 was allocated to Agency Reserves, and \$110 was allocated to increase account receivables form retained earnings.

## JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.

### 6. CONCENTRATIONS OF RISK

#### *Assessment's revenue*

The JCBD's ability to generate resources is dependent upon the assessments from the City.

#### *Other risk*

Financial instruments, which potentially subject the JCBD to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. The JCBD periodically reviews its cash policy and believes that any potential loss is not material to the financial statements.

### 7. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization's board of Directors have evaluated events and transactions for potential recognition or disclosure through Feb 14<sup>th</sup>, 2022, the date the financial statements were available to be issued.