



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

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2019



CASTRO/UPPER MARKET COMMUNITY
BENEFIT DISTRICT, INC.

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Independent Accountant's Review Report

Board of Directors
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, 2019, 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 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 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.

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.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California
October 18, 2019

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 485,389
Assessments receivable	491
Grants receivable	97,789
Property and equipment, at cost, net	-
Prepaid expenses	4,401
Security deposits	3,185

TOTAL ASSETS \$ 591,255

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 55,576
Accrued expenses	40,416
Deferred rent	11,405

TOTAL LIABILITIES (All Current) 107,397

NET ASSETS:

Net assets without donor restrictions	124,824
Net assets with donor restrictions	359,034

TOTAL NET ASSETS 483,858

TOTAL LIABILITIES AND NET ASSETS \$ 591,255

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Assessment revenue	\$ 47,008	\$ 477,228	\$ 524,236
Government grants	-	333,792	333,792
Contributions	-	22,640	22,640
Affiliate member dues	11,809	-	11,809
Sponsorship income	-	21,450	21,450
Interest income	173	-	173
Net assets released from restrictions	1,051,004	(1,051,004)	-
TOTAL SUPPORT AND REVENUES	<u>1,109,994</u>	<u>(195,894)</u>	<u>914,100</u>
EXPENSES:			
Program services	978,108	-	978,108
General and administrative	71,928	-	71,928
TOTAL EXPENSES	<u>1,050,036</u>	<u>-</u>	<u>1,050,036</u>
CHANGE IN NET ASSETS	59,958	(195,894)	(135,936)
NET ASSETS, beginning of year	<u>64,866</u>	<u>554,928</u>	<u>619,794</u>
NET ASSETS, end of year	<u>\$ 124,824</u>	<u>\$ 359,034</u>	<u>\$ 483,858</u>

See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services				Total
	District Identity & Streetscape Improvement	Public Right of Way	Harvey Milk Plaza Redesign	General and Administrative	
Sidewalk cleaning	\$ 63,966	\$ 345,643	\$ -	\$ -	\$ 409,609
Salaries and wages	67,750	78,409	-	28,527	174,686
Professional services	15,142	15,142	125,000	16,277	171,561
Security and public safety	-	98,974	-	-	98,974
Social programs and services	-	63,212	-	-	63,212
Operation expenses	12,248	11,934	1,022	8,466	33,670
Rent expense	11,668	10,209	-	6,139	28,016
Marketing and advertising	12,165	4,728	4,076	-	20,969
Events and promotions	20,097	-	-	-	20,097
Payroll taxes and workers' compensation	4,361	4,709	-	4,017	13,087
Accounting fees	-	-	-	8,000	8,000
Streetscape improvements	4,562	-	-	-	4,562
Castro Ambassadors	2,181	-	-	-	2,181
Loss on disposal of assets	-	235	235	118	588
Travel and meetings	130	100	-	332	562
Depreciation	105	105	-	52	262
TOTAL FUNCTIONAL EXPENSES	\$ 214,375	\$ 633,400	\$ 130,333	\$ 71,928	\$ 1,050,036

See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (135,936)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	262
Loss on disposal of assets	588
	<hr/>
NET CASH USED BY OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	(135,086)
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CHANGES IN OPERATING ASSETS AND LIABILITIES:	
Accounts receivable	7,908
Grants receivable	57,590
Deposits	707
Prepaid expenses	(249)
Accounts payable	17,259
Accrued expenses and other payable	29,659
Deferred revenue	(7,610)
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NET CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES	105,264
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NET CASH USED BY OPERATING ACTIVITIES	(29,822)
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NET DECREASE IN CASH	(29,822)
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CASH AND CASH EQUIVALENTS, beginning of year	515,211
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CASH AND CASH EQUIVALENTS, end of year	\$ 485,389
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See accompanying independent accountants' review report and notes to financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2019

Note 1. NATURE OF ACTIVITIES:

Organization:

The Castro/Upper Market Community Benefit District, Inc. ('Organization') was incorporated in California 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 vote and 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 (property owners) were assessed an annual special tax assessment levied by the City under the Property and Business Improvement District Law of 1994. The term of the district will expire (unless renewed) on December 31, 2020. 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 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. The District's newest endeavor in helping to enshrine the LGBT identity in the Castro is a collaborative effort with the City & County of San Francisco to reimagine and rebuild Harvey Milk Plaza into a world class public plaza that honors Harvey Milk and the LGBT history of the Castro.

Note 2. SIGNIFICANT ACCOUNTING POLICIES:

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:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The standard has been implemented.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2019

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Financial statement presentation (continued):

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.

Cash and Cash Equivalents:

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property 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.

Receivables:

Accounts 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, 2019. It is the Organization's policy to charge off uncollectible accounts receivables when management determines the receivable will not be collected.

Contribution:

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.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2019

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contribution (continued):

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.

Donated services and materials:

Donated 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.

Donated property is recognized as contribution in the accompanying financial statements at its estimated fair market value at date of gift.

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.

Use of Accounting Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk:

The Organization maintains its cash and money market account balances at financial institutions located in San Francisco, California. Such balances with any one institution may, at times, be in excess of federally insured amounts. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

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.

Recent accounting pronouncements:

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the effect the updated standard will have on its financial statements.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2019

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Recent accounting pronouncements (continued):

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than twelve months. The standard will be effective for non-public business entities for fiscal years beginning after December 15, 2020 with early application permitted. The Organization is currently evaluating the impact this guidance will have on its financial statements.

Date of management's review:

Management has evaluated subsequent events through October 18, 2019, the date which the financial statements were available for issue. Management has concluded that there were no other subsequent events required to be disclosed or recognized in the financial statements.

Note 3. LIQUIDITY:

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

Cash and cash equivalents	\$ 117,238
Total	\$ 117,238

Note 4. PROPERTY AND EQUIPMENT:

At June 30, 2019, property and equipment consisted of the following:

Computer equipment	\$ 2,527
Furniture and fixtures	1,243
	\$ 3,770
Less: Accumulated depreciation	(3,770)
Net property and equipment	\$ -

For the year ended June 30, 2019, depreciation expense amounted to \$262.

Note 5. 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 57% of the Organization's total revenue.

Note 6. NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions comprise the following for the year ended June 30, 2019:

Available for operations	\$ 86,969
Board designated	37,855
Total	\$ 124,824

The Board has designated the amount set forth above for public right of way, district identity and streetscape improvements and for general and administrative expenses.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS - JUNE 30, 2019

Note 7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions and related activity comprise the following for the year ended June 30, 2019:

	July 1, 2018	Contributions and Income	Released from Restrictions	June 30, 2019
Assessments - public right of way	\$ 167,122	\$ 330,269	\$ 384,485	\$ 112,906
Assessments - district identity and streetscape improvements	37,380	62,908	79,542	20,746
Assessments - general and administration	91,556	84,051	71,927	103,680
General donations	2,137	2,038	1,270	2,905
Castro Care donations	64,855	17,534	31,384	51,005
Harvey Milk Plaza Donations	-	3,600	3,600	-
Man Dance donations	4,209	2,668	4,345	2,532
Retail strategy donations	15,022	-	2,661	12,361
Annual Event Sponsorship	-	18,250	-	18,250
OEWD - Castro Care grant	43,390	183,792	217,533	9,649
OEWD - CBD renewal grant	-	25,000	-	25,000
OEWD - JWP grant	-	125,000	125,000	-
Horizons Foundation HMP grant	129,257	-	129,257	-
Totals	\$ 554,928	\$ 855,110	\$ 1,051,004	\$ 359,034

Note 8. OPERATING LEASE:

The Organization conducts its operation from a facility that is leased under a five-year non-cancelable operating lease that began on June 1, 2019 and may be renewed on May 31, 2024. Future minimum rental payments due under the lease are as follows:

Year Ending June,	
2020	\$ 39,546
2021	40,337
2022	41,144
2023	41,966
2024	39,173
	<u>\$ 202,166</u>

Rental expense was \$28,016 for the year ended June 30, 2019.