

**CASTRO/UPPER MARKET COMMUNITY
BENEFIT DISTRICT, INC.
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015**

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
FINANCIAL REPORT
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CHEK TAN AND COMPANY

A CERTIFIED PUBLIC ACCOUNTING FIRM

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

I have reviewed the accompanying statement of financial position of Castro/Upper Market Community Benefit District, Inc. (a nonprofit organization) as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows 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, I do not express such an opinion.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements.

My 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 me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am 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.

Chek Tan and Company

San Francisco, California
January 6, 2016



CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current assets	
Cash and cash equivalents	\$301,612
Accounts receivable	9,104
Assessments receivable	67,188
Grants receivable	147,500
Prepaid expenses	3,934
Property and equipment, net (less of accumulated depreciation of \$758)	3,600
Security deposit	<u>3,892</u>
Total assets	<u>\$536,830</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 55,385
Accrued expenses and other payable	<u>11,265</u>
Total liabilities	<u>66,650</u>
Net assets	
Unrestricted net assets	328,839
Temporarily restricted net assets	<u>141,341</u>
Total net assets	<u>470,180</u>
Total liabilities and net assets	<u>\$536,830</u>

See independent accountant's review report and accompanying notes.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Support and revenue	
Assessment revenue	\$455,047
Affiliate member dues	1,986
Contributions	203,682
In-kind rent and facility use	1,855
In-kind materials and supplies	2,540
Interest income	<u>263</u>
Total support and revenue	<u>665,373</u>
Expenses	
Program services	560,963
General and administrative	88,468
Fundraising	<u>466</u>
Total expenses	<u>649,897</u>
Changes in net assets	15,476
Net assets, beginning of year	<u>454,704</u>
Net assets, end of year	<u>\$470,180</u>

See independent accountant's review report and accompanying notes.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Sidewalk cleaning	\$268,497	\$ 0	\$ 0	\$268,497
Security and public safety	10,140	0	0	10,140
Castro Cares services	51,932	0	0	51,932
Streetscape improvements	2,335	0	0	2,335
Retail strategy, marketing, and ambassadors	105,278	0	0	105,278
Events and promotions	11,238	0	0	11,238
Payroll	70,815	30,190	0	101,005
Payroll taxes and workers' compensation	4,628	2,663	0	7,291
Support and legal	6,453	33,792	466	40,711
Operation expenses	18,088	14,031	0	32,119
Rent expense	10,167	3,145	0	13,312
Travel and meetings	240	1,404	0	1,644
In-kind material and supplies	1,152	1,388	0	2,540
In-kind rent	<u>0</u>	<u>1,855</u>	<u>0</u>	<u>1,855</u>
 Total functional expenses	 <u>\$560,963</u>	 <u>\$88,468</u>	 <u>\$466</u>	 <u>\$649,897</u>

See independent accountant's review report and accompanying notes.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

Cash flow from operating activities:	
Increase in net assets	\$ 15,476
Adjustments to reconcile change in net assets to cash used in operating activities:	
Depreciation	<u>758</u>
Net cash provided by operating activities before changes in operating assets and liabilities	<u>16,234</u>
Change in operating assets and liabilities:	
Accounts receivable	(7,669)
Assessments receivable	(30,063)
Grants receivable	(72,500)
Prepaid expenses	3,056
Security deposit	(3,892)
Accounts payable	45,267
Accrued expenses and other payable	7,476
Pledge payable	<u>(121,860)</u>
Net cash used in operating assets and liabilities	<u>(180,185)</u>
Net cash used in operating activities	<u>(163,951)</u>
Cash flows from investing activity:	
Purchase of property and equipment	<u>(4,358)</u>
Net cash used in investing activity	<u>(4,358)</u>
Net decrease in cash and cash equivalents	(168,309)
Cash and cash equivalents at beginning of year	<u>469,921</u>
Cash and cash equivalents at end of year	\$ <u>301,612</u>

See independent accountant's review report and accompanying notes.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Nature of Activities

a. 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.

Note 2 - Significant Accounting Policies

a. 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).

b. 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.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Significant Accounting Policies (continued)

b. Basis of presentation (continued)

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.

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.

c. 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 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.

d. Assessments 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, 2015.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Significant Accounting Policies (continued)

d. Assessments receivable (continued)

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.

e. 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, 2015 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.

f. 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.

g. 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.

h. 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.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Significant Accounting Policies (continued)

i. Concentration of credit risk

The Organization places its cash and cash equivalents with financial institutions and its balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depository bank. At various times, the Organization had cash balances in excess of the insured amount. At June 30, 2015, the Organization did not have uninsured balance.

j. 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.

k. 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.

Note 3 - Property and Equipment

At June 30, 2015, property and equipment consisted the following:

		<u>Estimated Useful Lives (Years)</u>
Computer equipment	\$ 2,527	3
Furniture and fixtures	<u>1,831</u>	7
	4,358	
Less: Accumulated depreciation	<u>(758)</u>	
Net property and Equipment	\$ <u>3,600</u>	

For the year ended June 30, 2015, depreciation expense amounted to \$758.

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 4 - 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 69% of the Organization's total revenue.

Note 5 - Net Assets

Unrestricted net assets

Designated by the Board for

District identity and streetscape improvements \$ 14,089

Reserves 281,743

Undesignated

Unrestricted net assets 33,007

Total unrestricted net assets 328,839

Temporarily restricted net assets

Restricted for

Jane Warner Plaza Activation 4,500

Castro Cares donations 44,304

Castro Cares grant 92,537

Temporarily restricted net assets 141,341

Total net assets \$470,180

Note 6 - Operating Lease

The Organization conducts its operation from facilities that are leased under a three-year non-cancelable operating lease expiring on August 31, 2017. The lease contains a renewal option. Future minimum rental payments due under the lease are as follows:

Year ending June 30,

2016 \$45,600

2017 45,600

2018 7,600

\$98,800

CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 7 - Subsequent Event

The Organization has evaluated subsequent events through January 6, 2016, the date which the financial statements were available to be issued.