
NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

FINANCIAL STATEMENTS

June 30, 2018

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Contents

Independent Accountants' Review Report	1-2
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Financial Statements:

Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-12

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
North of Market/Tenderloin Community Benefit Corporation
San Francisco, California

We have reviewed the accompanying financial statements of North of Market/Tenderloin Community Benefit Corporation (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows and functional expenses 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 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'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.

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 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 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 May 2, 2018. We have not performed procedures in connection with that review engagement since that date.

Croody & Lameda CPAs LLP

Oakland, California
February 20, 2019

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Financial Position
June 30, 2018
(With Comparative Totals as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 524,597	\$ 664,437
Assessments receivable (Note 3)	77,289	156,161
Grants receivable	63,295	100,000
Prepaid expenses	14,982	30,142
Deposits	<u>10,500</u>	<u>10,500</u>
Total Assets	<u>\$ 690,663</u>	<u>\$ 961,240</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 50,789	\$ 58,333
Commitments and Contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted	639,874	802,907
Temporarily restricted	<u>-</u>	<u>100,000</u>
Total Net Assets	<u>639,874</u>	<u>902,907</u>
Total Liabilities and Net Assets	<u>\$ 690,663</u>	<u>\$ 961,240</u>

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

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

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

	Unrestricted	Temporarily Restricted	Total	
			2018	2017
Support and Revenue				
Assessment revenue (Note 7)	\$ 1,113,856	\$	\$ 1,113,856	\$ 1,108,066
Government grants	251,315		251,315	163,860
Foundation and corporate grants	5,681	10,000	15,681	631,659
Individual	1,057		1,057	217
Miscellaneous	529		529	15,085
Net assets released from donor restrictions (Note 6)	110,000	(110,000)	-	-
Total Support and Revenue	<u>1,482,438</u>	<u>(100,000)</u>	<u>1,382,438</u>	<u>1,918,887</u>
Expenses				
Program	1,384,588		1,384,588	1,468,751
Management and general	232,171		232,171	216,153
Fundraising	28,712		28,712	24,412
Total Expenses	<u>1,645,471</u>	<u>-</u>	<u>1,645,471</u>	<u>1,709,316</u>
 Change in Net Assets	 (163,033)	 (100,000)	 (263,033)	 209,571
Net Assets, beginning of year (Note 8)	<u>802,907</u>	<u>100,000</u>	<u>902,907</u>	<u>693,336</u>
Net Assets, end of year	<u>\$ 639,874</u>	<u>\$ -</u>	<u>\$ 639,874</u>	<u>\$ 902,907</u>

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

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**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	\$ (263,033)	\$ 209,571
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Change in assets and liabilities:		
Assessments receivable	78,872	(2,125)
Grants receivable	36,705	(45,000)
Prepaid expenses	15,160	(24,783)
Deposits	-	(8,550)
Accounts payable and accrued expenses	(7,544)	21,212
Net cash provided (used) by operating activities	<u>(139,840)</u>	<u>150,325</u>
Net change in cash	(139,840)	150,325
Cash and cash equivalents, beginning of year	<u>664,437</u>	<u>514,112</u>
Cash and cash equivalents, end of year	<u><u>\$ 524,597</u></u>	<u><u>\$ 664,437</u></u>

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

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**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	\$ 206,323	\$ 39,773	\$ 2,486	\$ 248,582	\$ 2,032
Employee benefits	23,865	4,600	288	28,753	-
Payroll taxes	57,028	10,993	687	68,708	-
Total Personnel	<u>287,216</u>	<u>55,366</u>	<u>3,461</u>	<u>346,043</u>	<u>2,032</u>
Grants				-	355
Management services	231,946	150,562	24,415	406,923	490,766
Accounting fees	-	12,743	-	12,743	9,133
Other fees for service	585	118	-	703	20,230
Advertising and promotion	4,569	-	-	4,569	42,359
Office expenses and supplies	18,516	3,569	223	22,308	66,226
Occupancy	37,851	7,297	456	45,604	26,091
Insurance	6,476	1,248	78	7,802	6,034
Cleaning services	741,666	-	-	741,666	899,360
Public space improvement	48,987	-	-	48,987	141,026
Meetings	164	32	2	198	1,734
Sponsorship	200	-	-	200	485
Miscellaneous	6,412	1,236	77	7,725	3,485
Total Expenses	<u>\$ 1,384,588</u>	<u>\$ 232,171</u>	<u>\$ 28,712</u>	<u>\$ 1,645,471</u>	<u>\$ 1,709,316</u>

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

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the 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 North of Market/Tenderloin Community Benefit Corporation (the Organization) is a California nonprofit public benefit corporation, which was established in 2005. The ultimate goal of the North of Market/Tenderloin Community Benefit Corporation is to provide systematic cleaning and beautification services to all of the parcels in the historic Tenderloin district. The North of Market/Tenderloin Community Benefit Corporation is funded entirely by special assessments levied on properties within the district. The annual assessment rate for properties is equal to \$0.15731 per square foot of lot size, plus \$10.38 per linear foot of lot frontage, plus \$0.04 per square foot of non-exempted building area. The North of Market/Tenderloin Community Benefit Corporation executes its mandate to provide cleaning and beautification services with a committee-based structure made up of the following committees:

Executive Committee oversees staff and contracts, corporate finances, insurance, grants, budget development, bylaws and policies, generation of Board agendas and meetings, etc.

Public Rights of Way Committee oversees cleaning services in the public right of way such as sidewalk sweeping, steam cleaning, tree planting and maintenance, and relations with the San Francisco Department of Public Works.

Community Engagement and Communications Committee oversees projects that promote the district and positive aspects of District Identity.

Development Committee oversees the development of fundraising strategies and supplemental support for the Organization and its activities.

Safe Passage Committee oversees the Safe Passage Program and other safety initiatives.

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 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.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

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

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 statement of activities as net assets released from restrictions.

Grants 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.

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, 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 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

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

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

purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended June 30, 2018.

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.

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 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.

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 \$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. The Organization had no property and equipment that met this capitalization policy at June 30, 2018.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

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

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.

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 financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of February 20, 2019 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: 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. Assessments receivable consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Due from city	\$ 42,341	\$ 117,313
Unpaid assessments	<u>34,948</u>	<u>38,848</u>
Total	<u>\$ 77,289</u>	<u>\$ 156,161</u>

NOTE 4: COMMITMENT

Operating Leases

The Organization is party to a lease for office space in San Francisco that expires on January 31, 2020. Future minimum lease payments were as follows for the years ended June 30:

2019	\$ 45,051
2020	<u>26,733</u>
Total	<u>\$ 71,784</u>

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

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

NOTE 5: CONTINGENCIES

Community benefit district assessments are received under agreement with the City and County of San Francisco and assessments have been currently authorized through June 2020. The assessments and related revenue to the Organization may be terminated at an earlier date if the community benefit district which funds the Organization's operations is disestablished by a vote of the assessed property owners or in certain other circumstances.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended June 30, 2018:

Safe Passage	\$ 10,000
Passage of time	<u>100,000</u>
Total	<u>\$ 110,000</u>

NOTE 7: ASSESSMENT REVENUE

Assessment revenue consists of regular annual property assessments which are recognized as revenue when assessed. In addition, the Organization may receive other related revenue for late fees and other items, which it records when paid. Assessment revenue consisted of the following for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Assessment revenue – regular annual	\$ 1,089,904	\$ 1,046,773
Assessment revenue – other	<u>23,952</u>	<u>61,293</u>
Total	<u>\$ 1,113,856</u>	<u>\$ 1,108,066</u>

NOTE 8: RECLASSIFICATION

The Organization reclassified its net assets as of June 30, 2017 to increase temporarily restricted net assets by \$100,000, with a corresponding adjustment to unrestricted net assets, to reflect the restrictions attached to certain grant funding. There were no changes to total assets, liabilities, revenue, support or expenses.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

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

NOTE 9: CONCENTRATIONS

Revenue

For the year ended June 30, 2018, the Organization received 81% of its revenue from community benefit district assessments on property owners in the North of Market/Tenderloin Community Benefit District. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

NOTE 10: RETIREMENT PLAN

The Organization has a defined contribution retirement plan (the Plan) under section 403(b) of the Internal Revenue Code. The Plan covers all employees who meet age and length of service requirements. The Organization may make a matching contribution of up to 3% of the employee's salary. The contribution rate is determined annually. All contributions to an employee's account vest immediately. The Organization made no contributions for the years ended June 30, 2018 and 2017.