
NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

FINANCIAL STATEMENTS

June 30, 2020

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

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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, 2020, 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, 2019 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 June 9, 2021. We have not performed procedures in connection with that review engagement since that date.


Oakland, California
December 16, 2021

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Financial Position
June 30, 2020
(With Comparative Totals as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Assets		
Cash and cash equivalents	\$ 1,287,793	\$ 859,630
Assessments receivable	51,191	11,539
Grants and accounts receivable	230,030	338,242
Prepaid expenses	24,570	144,698
Deposits	10,500	10,500
Property and equipment, net	-	1,750
Total Assets	<u>\$ 1,604,084</u>	<u>\$ 1,366,359</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 281,301	\$ 267,703
Accrued vacation	59,557	32,875
Paycheck protection program loan (Note 4)	168,400	-
Total Liabilities	<u>509,258</u>	<u>300,578</u>
Net Assets		
Without donor restrictions	669,334	558,482
With donor restrictions (Note 5)	425,492	507,299
Total Net Assets	<u>1,094,826</u>	<u>1,065,781</u>
Total Liabilities and Net Assets	<u>\$ 1,604,084</u>	<u>\$ 1,366,359</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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Support and Revenue				
Assessment revenue (Note 6)	\$ 1,969,176	\$ -	\$ 1,969,176	\$ 1,143,428
Government grants and contracts	642,702		642,702	718,632
Foundation support	126,073	478,358	604,431	903,455
Individual and corporate support	24,188		24,188	53,870
Program service fees	129,926		129,926	-
Interest and other income	23,629		23,629	7,234
Support provided by expiring time and purpose restrictions	560,165	(560,165)	-	-
Total Support and Revenue	3,475,859	(81,807)	3,394,052	2,826,619
Expenses				
Program	3,019,838		3,019,838	1,992,714
Management and general	312,134		312,134	378,448
Fundraising	33,035		33,035	29,550
Total Expenses	3,365,007	-	3,365,007	2,400,712
Change in Net Assets	110,852	(81,807)	29,045	425,907
Net Assets, beginning of year (Note 10)	558,482	507,299	1,065,781	639,874
Net Assets, end of year	\$ 669,334	\$ 425,492	\$ 1,094,826	\$ 1,065,781

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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 29,045	\$ 425,907
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	1,750	1,250
Change in assets and liabilities:		
Assessments receivable	(39,652)	65,750
Grants and accounts receivable	108,212	(274,947)
Prepaid expenses	120,128	(129,716)
Accounts payable and accrued expenses	13,598	216,914
Accrued vacation	26,682	32,875
Net cash provided (used) by operating activities	259,763	338,033
Cash flows from investing activities:		
Property and equipment purchases	-	(3,000)
Net cash provided (used) by investing activities	-	(3,000)
Cash flows from financing activities		
Proceeds from paycheck protection program loan	168,400	
Net cash provided (used) by financing activities	168,400	-
Net change in cash	428,163	335,033
Cash and cash equivalents, beginning of year	859,630	524,597
Cash and cash equivalents, end of year	\$ 1,287,793	\$ 859,630

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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	Program	Management and General	Fundraising	Total	
				2020	2019
Salaries	\$ 690,485	\$ 198,270	\$ 23,484	\$ 912,239	\$ 765,272
Employee benefits	88,915	9,217	969	99,101	98,232
Payroll taxes	63,575	13,809	1,620	79,004	64,947
Total Personnel	<u>842,975</u>	<u>221,296</u>	<u>26,073</u>	<u>1,090,344</u>	<u>928,451</u>
Management services	7,936	823	87	8,846	4,852
Accounting fees	-	14,900	-	14,900	16,000
Cleaning services	1,125,620	-	-	1,125,620	918,699
Camera services	366,543	-	-	366,543	257,767
Safety services	245,397	-	-	245,397	23,063
Economic opportunity services	82,580	-	-	82,580	31,568
Neighborhood mini grants	141,000	-	-	141,000	-
Other fees for service	26,692	2,767	291	29,750	100,554
Office expenses and supplies	14,668	2,349	160	17,177	27,506
Occupancy	-	53,191	6,240	59,431	55,411
Depreciation	-	1,566	184	1,750	1,250
Insurance	-	15,242	-	15,242	10,121
Public space improvement	166,427	-	-	166,427	25,470
Total Expenses	<u>\$ 3,019,838</u>	<u>\$ 312,134</u>	<u>\$ 33,035</u>	<u>\$ 3,365,007</u>	<u>\$ 2,400,712</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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

NOTE 1: NATURE OF ACTIVITIES

The North of Market/Tenderloin Community Benefit Corporation (“TLCBD” or “Organization”) is a California nonprofit public benefit corporation, which was established in 2005. The core purpose of TLCBD is to lead the evolution of the Tenderloin into a vibrant community for ALL with a focus on providing supplemental cleaning, safety and beautification services to a 40-block special benefits district in the Tenderloin.

Fiscal Year 2019-20 was a transition year for TLCBD, with the organization finishing the delivery of services to its original 30-block district under its original 2005 management plan and beginning expanded services under its renewed 2019 management plan to a larger 40-block district in January 2020. For the last 15 years, TLCBD has turned the annual investment by the property owners, who pay an assessment as part of their property tax bill, into much needed supplemental services and programs that benefit everyone in the community. Now TLCBD is committed to using the renewal of that commitment for another 15 years to expand its programs and impact.

TLCBD continued its long-standing Clean and Safe programs and established new programs to support Tenderloin Parks and Open Spaces, Economic Opportunity for small businesses and residents, Pedestrian Safety, an expanded Tenderloin Camera Network, and Neighborhood Pride

TLCBD’s Clean Program provides supplemental cleaning services in the public right-of-way including sidewalk and gutter sweeping, weekly pressure washing of all sidewalks, needles pick-up, human and animal waste sanitation and graffiti abatement. TLCBD also supports a fleet Bigbelly trash cans with colorful wraps designed by local artists – bringing multiple litter receptacles to every intersection in the district.

TLCBD’s Safe Program operates the celebrated Safe Passage Program, which provides a visible safety presence on key corridors to help children and families get to and from school safely every day and other safety initiatives including a new Pedestrian Safety initiative to do outreach, education and organizing to support safer streets in the neighborhood.

TLCBD’s Camera Program operates a network of cameras in the neighborhood to provide after-the-fact footage to all parties in the criminal justice system – including the Police, District Attorney, Public Defender and others.

TLCBD’s Inviting Space program operates the Tenderloin Park Network to support safe, clean and inviting parks and playgrounds as well as physical improvement and beautification projects to the sidewalks and other public spaces.

TLCBD’s Economic Opportunity Program provides business assistance services, referrals and grants and advocates on behalf of small businesses in the neighborhood.

TLCBD’s Neighborhood Pride Program provides support to multiple block groups as they seek to transform the physical and social conditions on their blocks as well other efforts to organize resident voice and bring attention to the dynamic low-income, affordable multi-racial neighborhood at the heart of San Francisco.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

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).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; there were no restrictions of this nature as of June 30, 2020

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time when any of the following conditions are met: The customer receives and consumes the benefits provided by the Organization's performance as the Organization performs; the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or the work does not create an asset with an alternative use to the Organization and the entity has a right to payment for performance completed to date.

Revenue is recognized over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached. Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met. Revenue from the sales of goods or merchandise are recognized at the point in time when the goods or merchandise are provided to the customer.

The Organization tracks contract assets representing earned amounts that are not yet receivable separately from accounts receivable, if any. As a practical expedient the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless related to a donor specified restriction for a particular purpose or future period.

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.

Grants and Accounts Receivable

Grants and accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement basis or customers on performance contracts. The Organization considers all accounts receivable to be fully collectible at June 30, 2020. 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.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

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 IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of June 30, 2020 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 purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended June 30, 2020.

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, 2020.

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.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$3,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the shorter of the estimated useful lives on the property and equipment or the related lease terms.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on estimated staff allocations at year end.

Occupancy, depreciation and other shared are allocated on dependent on the programs and supporting activities occupying the space.

Office expenses and supplies, insurance, and other expenses that cannot be directly identified are allocated on the basis of staff allocations for program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred. All expenses and net losses are reported as decreases in net assets without donor restrictions.

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, 2019, 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.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

NOTE 3: CONTINGENCIES

Community Benefit District

Community benefit district assessments are received under agreement with the City and County of San Francisco and assessments have been currently authorized through June 2034. 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. The Organization has been late in certain of its standard financial reporting and may incur additional costs to bring its financial reporting current and to comply with its reporting requirements. No reasonable estimate of the costs of such efforts was available.

Grant Awards and Governmental Funding

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 4: PAYCHECK PROTECTION PROGRAM

The Organization received a \$168,400 paycheck protection program (PPP) loan bearing interest of 1% and maturing April 2022 which it accounts for under FASB 470 including interest accrual. Based on the guidance in FASB ASC 405-20-40-1, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been “legally released” or (2) the Organization pays off the loan. The Organization may be eligible for forgiveness of some or all of this loan, and expect to receive forgiveness or repay the loan within one year.

NOTE 5: NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consisted of \$425,492 and \$507,299 for specific purposes as of June 30, 2020 and 2019 respectively.

NOTE 6: 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>2020</u>	<u>2019</u>
Assessment revenue – regular annual	\$ 1,962,806	\$ 1,129,138
Assessment revenue – penalties and other	<u>6,370</u>	<u>14,290</u>
Total	<u>\$ 1,969,176</u>	<u>\$ 1,143,428</u>

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

NOTE 7: CONCENTRATIONS

Revenue

For the year ended June 30, 2020, the Organization received 58% 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.

Geographic Area

The majority of the organization's revenue and support are received from corporations, foundations, government agencies and individuals located in the San Francisco area. As such, the organization's ability to generate resources may be dependent upon the economic health of that area.

NOTE 8: 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 contributions of \$13,670 and \$14,098 for the years ended June 30, 2020 and 2019.

NOTE 9: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Cash and cash equivalents	\$ 1,287,793
Assessments receivable	51,191
Grants and accounts receivable	230,030
Less purpose restricted net assets	<u>(425,492)</u>
Total	<u>\$ 1,143,522</u>

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements into its bank money market account.

NOTE 10: PRIOR PERIOD ADJUSTMENT

The Organization evaluated its grant funding as of June 30, 2019 and determined that the balances remaining on two grants were more properly classified as restricted rather than deferred. This had no effect on net assets without donor restriction or change in net assets without donor restriction. This change increased net assets with donor restriction and total net assets by \$507,299.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

NOTE 11: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of December 16, 2021, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Public Health Order – Coronavirus

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic and the Organization. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workforce.