NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

FINANCIAL STATEMENTS

June 30, 2012

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

North of Market/Tenderloin Community Benefit Corporation

Contents

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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 statements of financial position of North of Market/Tenderloin Community Benefit Corporation (a nonprofit organization) as of June 30, 2012, and the related statements of activities, cash flows, and statement of functional expenses 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, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the 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 the financial statements.

Our 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 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 accounting principles generally accepted in the United States of America.

Crosby & Kaneda
Certified Public Accountants
Oakland, California
October 30, 2012

North of Market/Tenderloin Community Benefit Corporation

Statement of Financial Position
June 30, 2012

Assets		
Current Assets		
Cash	$	531,055
Accounts receivable		29,389
Total Current Assets		560,444
Property and equipment, net (Note 3)		1,536
Total Assets	$	561,980
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$	33,447
Total Liabilities		33,447
Contingencies (Note 4)		
Unrestricted Net Assets		528,533
Total Net Assets		528,533
Total Liabilities and Net Assets	$	561,980

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, 2012

Support and Revenue		
Government grants	$	11,556
Donations		8,407
Assessment revenue		986,949
Interest income		347
Total Support and Revenue		1,007,259
Expenses		
Program		956,790
General and administrative		104,154
Total Expenses		1,060,944
Change in Net Assets		(53,685)
Net Assets, beginning of year		582,218
Net Assets, end of year	$	528,533

North of Market/Tenderloin Community Benefit Corporation

Statement of Cash Flows
For the Year Ended June 30, 2012

Cash flows from operating activities:		
Change in net assets	$	(53,685)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Depreciation		1,637
Change in assets and liabilities:		
Accounts receivable		24,325
Grants receivable		38,440
Accounts payable and accrued expenses		(52,698)
Net cash used by operating activities		(41,981)
Cash flows from investing activities:		
Equipment purchases		(2,373)
Net cash used by investing activities		(2,373)
Net change in cash		(44,354)
Cash, beginning of year		575,409
Cash, end of year	$	531,055

See Independent Accountants' Review Report and
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North of Market/Tenderloin Community Benefit Corporation

Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program				
	DISI	PROW	Total Program	General and Administrative	Total
Salaries	$ 19,020	$ 19,020	$ 38,040	$ 38,041	$ 76,081
Payroll taxes	1,602	1,602	3,204	3,204	6,408
Total Personnel	20,622	20,622	41,244	41,245	82,489
Grants	53,358	40,000	93,358	-	93,358
Fees for service	39,105	743,829	782,934	-	782,934
Occupancy			-	21,630	21,630
Office expenses			-	12,564	12,564
Accounting fees			-	11,575	11,575
Advertising and promotion	8,210		8,210	-	8,210
Insurance			-	6,314	6,314
Bank fees, payroll services			-	2,314	2,314
Travel, meals and entertainment	2,000		2,000	-	2,000
Conferences, conventions, meetings			-	6,749	6,749
Depreciation			-	1,637	1,637
Community events	19,098	9,946	29,044	-	29,044
Miscellaneous			-	126	126
Total Expenses	$ 142,393	$ 814,397	$ 956,790	$ 104,154	$ 1,060,944

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

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 beatification 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 $0.12500 per square foot of *lot size*, plus $8.25 per *linear foot of lot frontage*, plus $0.03 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:

Organization and or 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 and Sidewalk Operations 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.

District Identity and Streetscape Improvement Committee oversees projects that promote the district and positive aspects of District Identity.

Community Advisory Board Committee oversees outreach, relations with community organizations and community partners, and assistance with resident needs. It also identifies and promotes positive land use in the district.

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

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 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. Temporarily restricted net assets also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Board in accordance with the California Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA). There were no temporarily restricted net assets at June 30, 2012.

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. There were no permanently restricted net assets as of June 30, 2012.

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.

The Organization considers all contributions to be fully collectible at June 30, 2012. 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, 2012 and is not aware of any significant uncertain tax positions for which a reserve would be necessary.

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, 2012.

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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization had no assets or liabilities recorded at fair value on June 30, 2012.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over $1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	3 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

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.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of October 30, 2012 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2012:

Furniture and equipment	$ 3,584
Less accumulated depreciation	(2,048)
Total	$ 1,536

NOTE 4: 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 Organizations 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 5: CONCENTRATIONS

Cash

The Organization maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Revenue

For the ended June 30, 2012, the Organization received 98% 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.