

**North of Market/Tenderloin Community Benefit Corporation
 Adjusting/Reclassification Journal Entries
 For the Year Ended June 30, 2014**

<u>X ref:</u>	<u>Entry</u>	<u>Account</u>	<u>Description</u>	<u>Dr</u>	<u>Cr</u>
	AJE 1		Contracts receivable	20,000	
			Government contracts		20,000
			<i>(To accrue government revenue spent in FY 14)</i>		
			Check	20,000	20,000

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If after posting these adjustments, the ending net assets do not equal the audited ending net assets, please call us.

North of Market/Tenderloin Community Benefit Corporation

FINANCIAL STATEMENTS

June 30, 2014

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013)

Draft: #2

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North of Market/Tenderloin Community Benefit Corporation

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of North of Market/Tenderloin Community Benefit Corporation, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North of Market/Tenderloin Community Benefit Corporation as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The summarized comparative information presented herein was derived from our review of the financial statements of North of Market/Tenderloin Community Benefit Corporation as of and for the year ended June 30, 2013, and in our report thereon, dated November 25, 2013, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Certified Public Accountants
Oakland, California
xxx, 2015

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North of Market/Tenderloin Community Benefit Corporation

**Statement of Financial Position
June 30, 2014
(With Comparative Totals as of June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets		
Cash	\$ 427,682	\$ 584,808
Assessments receivable	224,533	201,237
Accounts receivable	599	1,045
Grants receivable	20,000	-
Prepaid expenses	1,500	2,750
Total Current Assets	<u>674,314</u>	<u>789,840</u>
 Total Assets	 <u>\$ 674,314</u>	 <u>\$ 789,840</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 114,861	\$ 93,238
Accrued vacation	1,424	1,188
Total Liabilities	<u>116,285</u>	<u>94,426</u>
Contingencies (Note 3)		
Net Assets		
Unrestricted	558,029	683,539
Temporarily restricted	-	11,875
Total Net Assets	<u>558,029</u>	<u>695,414</u>
 Total Liabilities and Net Assets	 <u>\$ 674,314</u>	 <u>\$ 789,840</u>

See Notes to the Financial Statements

North of Market/Tenderloin Community Benefit Corporation

**Statement of Activities
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)**

	Unrestricted	Temporarily Restricted	Total	
			2014	2013
Support and Revenue				
Government grants	\$ 60,947	\$ -	\$ 60,947	\$ -
Donations	1,740	-	1,740	8,200
Foundation and corporate grants	10,705	-	10,705	39,265
Assessment revenue	981,579	-	981,579	988,538
Miscellaneous	6,726	-	6,726	292
Net assets released from donor restrictions (Note 5)	11,875	(11,875)	-	-
Total Support and Revenue	1,073,572	(11,875)	1,061,697	1,036,295
Expenses				
Program	1,074,570	-	1,074,570	977,211
General and administrative	105,080	-	105,080	90,542
Fundraising	19,432	-	19,432	7,592
Total Expenses	1,199,082	-	1,199,082	1,075,345
Change in Net Assets	(125,510)	(11,875)	(137,385)	(39,050)
Net Assets, beginning of year	683,539	11,875	695,414	734,464
Net Assets, end of year	\$ 558,029	\$ -	\$ 558,029	\$ 695,414

See Notes to the Financial Statements

North of Market/Tenderloin Community Benefit Corporation

**Statement of Cash Flows
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (137,385)	\$ (39,050)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	-	1,536
Change in assets and liabilities:		
Assessments receivable	(23,296)	34,083
Accounts receivable	446	(1,045)
Grants receivable	(20,000)	-
Prepaid expenses	1,250	(2,750)
Accounts payable and accrued expenses	21,623	61,232
Accrued vacation	236	(253)
Net cash provided (used) by operating activities	<u>(157,126)</u>	<u>53,753</u>
Net change in cash	<u>(157,126)</u>	<u>53,753</u>
Cash, beginning of year	<u>584,808</u>	<u>531,055</u>
Cash, end of year	<u>\$ 427,682</u>	<u>\$ 584,808</u>

See Notes to the Financial Statements

North of Market/Tenderloin Community Benefit Corporation

**Statement of Functional Expenses
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)**

	Program			Total Program	General and Administrative	Fundraising	Total	
	PROW	DISI	General				2014	2013
Salaries	\$ 26,809	\$ 9,660	\$ 39,343	\$ 75,812	\$ 42,358	\$ 10,248	\$ 128,418	\$ 99,446
Pension contributions				-	-	-	-	3,053
Employee benefits				-	6,410	-	6,410	2,145
Payroll taxes	2,115	721	3,444	6,280	3,120	895	10,295	8,989
Total Personnel	<u>28,924</u>	<u>10,381</u>	<u>42,787</u>	<u>82,092</u>	<u>51,888</u>	<u>11,143</u>	<u>145,123</u>	<u>113,633</u>
Grants	84,633			84,633	-	-	84,633	66,273
Legal				-	1,660	-	1,660	992
Fees for service	843,919	18,907	4,058	866,884	3,980	7,218	878,082	814,849
Occupancy	1,035	485	257	1,777	9,998	59	11,834	13,088
Office expenses/supplies	4,353	13,321	6,709	24,383	12,580	396	37,359	38,996
Accounting fees				-	11,491	-	11,491	14,381
Advertising and promotion	971	8,712	1,396	11,079	2,102	359	13,540	1,485
Insurance	584	193	901	1,678	4,082	235	5,995	2,613
Bank fees, payroll services				-	357	-	357	748
Travel and meals				-	-	-	-	727
Conferences, conventions, meetings	958	198	888	2,044	6,942	22	9,008	6,024
Depreciation				-	-	-	-	1,536
Total Expenses	<u>\$ 965,377</u>	<u>\$ 52,197</u>	<u>\$ 56,996</u>	<u>\$ 1,074,570</u>	<u>\$ 105,080</u>	<u>\$ 19,432</u>	<u>\$ 1,199,082</u>	<u>\$ 1,075,345</u>

See Notes to the Financial Statements

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)**

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.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)**

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. There were no temporarily restricted net assets as of June 30, 2014.

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, 2014.

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.

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, 2014 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

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)**

be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended June 30, 2014.

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, 2014.

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.

Accounts and Grants Receivable

The Organization considers accounts and grants receivable to be fully collectible at June 30, 2014. 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.

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.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)**

The Organization had no assets or liabilities recorded at fair value on June 30, 2014.

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, 2014.

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, 2013, 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 xxx, 2015 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: 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.

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

**Notes to the Financial Statements
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)**

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: CONCENTRATIONS

Revenue

For the year ended June 30, 2014, the Organization received 92% 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 5: TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2014, there were no temporarily restricted net assets available.

During the years ended June 30, 2014 and 2013, \$11,875 and \$13,125 in temporarily restricted net assets were released from donor restrictions by incurring expenses related to the Health Initiative program, respectively.