

CIVIC CENTER COMMUNITY BENEFIT DISTRICT

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015**

INTRODUCTORY SECTION

CIVIC CENTER COMMUNITY BENEFIT DISTRICT

BOARD OF DIRECTORS

JUNE 30, 2015

BOARD OF DIRECTORS

Bill Whitfield, Chair
Tim Vrabel, Vice Chair
John Updike, Treasurer
Jennifer Norris, Secretary
Sarah Ballard
Anthony Boas
Mary Conde
Jim Haas
Katie Nicely
Roberto Lombardi
Annette Turner
Janan New
Katie Nicely
Ruth Nott
Sam Smith
Anette Turner
Patricia Unterman
David Harrison

MANAGEMENT

Donald Savoie, Executive Director

CIVIC CENTER COMMUNITY BENEFIT DISTRICT

**Financial Statements
For the Year Ended June 30, 2015**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Civic Center Community Benefit District
San Francisco, California

We have audited the accompanying financial statements of the Civic Center Community Benefit District (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior year comparative statements have been derived from Civic Center Community Benefit District's 2014 financial statements, which were audited by other auditors, whose unmodified opinion is dated January 6, 2015.

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 District'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 District'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 the Civic Center Community Benefit District as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pleasant Hill, California

Opinion Date

CIVIC CENTER COMMUNITY BENEFIT DISTRICT
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015
WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	\$338,824	\$454,457
Accounts receivable	<u>89,205</u>	<u>95,230</u>
Total Current Assets	<u>428,029</u>	<u>549,687</u>
Non-Current Assets:		
Prepaid expenses	750	750
Furniture and equipment, net of accumulated depreciation of \$16,982 and \$13,985, respectively (Note 2D)	<u>2,996</u>	<u>5,993</u>
Total Non-Current Assets	<u>3,746</u>	<u>6,743</u>
Total Assets	<u><u>\$431,775</u></u>	<u><u>\$556,430</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$47,302	\$43,419
Accrued vacation (Note 2E)	<u>4,399</u>	<u>4,399</u>
Total Liabilities	<u>51,701</u>	<u>47,818</u>
NET ASSETS (Note 2A)		
Unrestricted	<u>380,074</u>	<u>508,612</u>
Total Net Assets	<u>380,074</u>	<u>508,612</u>
Total Liabilities and Net Assets	<u><u>\$431,775</u></u>	<u><u>\$556,430</u></u>

See accompanying notes to financial statements.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

	2015	2014
UNRESTRICTED SUPPORT AND REVENUES		
Assessments	\$541,789	\$714,467
Contributions	8,000	9,800
Other	952	3,560
	<u>550,741</u>	<u>727,827</u>
PROGRAM EXPENSES		
Cleaning and graffiti removal	125,970	124,990
Safety	381,808	381,808
Activation	34,518	15,270
	<u>542,296</u>	<u>522,068</u>
SUPPORT SERVICES		
Facilities and equipment	8,000	9,000
Payroll and related	87,119	85,810
Legal and accounting	5,711	6,721
Bad debt expense	20,122	83,132
Other	13,034	9,889
Depreciation	2,997	8,422
	<u>136,983</u>	<u>202,974</u>
Total Support Services Expenses	<u>136,983</u>	<u>202,974</u>
Total Expenses	<u>679,279</u>	<u>725,042</u>
CHANGE IN NET ASSETS	(128,538)	2,785
Net Assets, beginning of year	<u>508,612</u>	<u>505,827</u>
Net Assets, end of year	<u>\$380,074</u>	<u>\$508,612</u>

See accompanying notes to financial statements.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT
STATEMENT CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>(\$128,538)</u>	<u>\$2,785</u>
Adjustments to reconcile to net cash provided by (used for) operating activities:		
Depreciation	2,997	8,422
Bad debt expense	20,122	83,132
(Increase) in accounts receivable	(14,097)	(67,319)
Increase (decrease) in accounts payable	3,883	(496)
Increase in accrued expenses	<u>1,390</u>	<u>1,390</u>
Cash Flows (Used) Provided by Operating Activities	<u>(115,633)</u>	<u>27,914</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Adjustments to reconcile to net cash provided by (used for) investing activities:		
Purchase of furniture and equipment	<u>(9,800)</u>	<u>(9,800)</u>
Cash Flows (Used) by Investing Activities	<u>(9,800)</u>	<u>(9,800)</u>
Net (increase) decrease in cash and cash equivalents	(115,633)	18,114
Cash and cash equivalents, beginning of year	<u>454,457</u>	<u>436,343</u>
Cash and cash equivalents, end of year	<u><u>\$338,824</u></u>	<u><u>\$454,457</u></u>

See accompanying notes to financial statements.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 – REPORTING ENTITY

A. General

The Civic Center Community Benefit District (District) was incorporated on June 1, 2011. The District is a 501(c)(3) nonprofit public benefit special assessment district conceived and organized by a group of concerned Civic Center property owners, arts organizations, government entities and other stakeholders (Members). Funding is provided primarily from special assessments from Members that are collected by the City and County of San Francisco and remitted to the District, pursuant to an administration agreement, dated July 1, 2011.

The goal of the District is to improve coordination and communication around the management, image, safety, beautification and cleanliness of the greater Civic Center area for the benefit of patrons, residents, employees, merchants, property owners and other visitors within the District. The District provides community service ambassadors to assist the public with information and direct them to destinations within the area, made possible by training on local geography, area venues, business, transportation systems, and other useful information. They also provide a vital role in promoting the Civic Center as safe and friendly. The District also provides teams to respond to maintenance calls to remove graffiti, wash sidewalks or pick up an accumulation of debris on the sidewalk, seven days a week.

B. Programs

Civic Center Greeter – The District added one nighttime ambassador dedicated to the entrance and elevator of the Civic Center Parking Garage. The arts organizations have received complaints from patrons saying they feel unsafe when they walk back to their cars at night because of the lack of other people in the area. The District believes that this is impacting people’s willingness to park in the garage and it impacts traffic flow, congestion and pedestrian safety on busy nights as people circle the blocks looking for parking.

10-B Police Officer Program – The District partnered with the Central Market Community Benefit District to employ an off-duty police officer to work in our District part-time through the SFPD’s 10-B Program. The officers work the District Ambassadors and Community Guides to primarily address quality of life issues within the neighborhood and within the purview of SFPD, such as issuing citations for drinking, trespassing, permit violations, littering and pedestrian safety infractions.

Community Service Ambassadors – The team of Community Service Ambassadors are a key element of the District. Their function is to assist the public with information and direct them to destinations within the area, made possible by training on local geography, area venue and businesses, transportation systems, and other useful information. The Ambassadors are goodwill ambassadors who assist the public in navigating the District with a welcoming and informed presence. They also play a vital role in promoting the Civic Center area as safe and friendly. They are easily visible and identifiable by their uniforms that will be unique to this District. Their presence is a deterrent to misdemeanor crime, and they have a communication system to enable them to report conditions or observations of criminal activity immediately through the District dispatch to the SFPD.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 – REPORTING ENTITY (Continued)

Cleaning and Graffiti Team – The service provide for uniformed maintenance workers to respond to maintenance calls to remove graffiti, wash down the sidewalk or pick up an accumulation of debris on the sidewalk. They are aided by calls by the District staff to the Department of Public Works to coordinate delivery of the maintenance service that the City provides.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Financial Statement Presentation

The financial statements of the District have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the District and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the District and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions, if any. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. At June 30, 2015, the District had no temporarily restricted net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the District. Generally, the donors of these assets permit the District to use all or part of the income earned on any related investments for general or specific purposes. At June 30, 2015, the District had no permanently restricted net assets.

B. Support and Revenues

The District relies on member assessments which are invoiced in advance, deferred on the statement of financial position and recognized monthly on a straight-line basis. All contributions are recorded upon receipt, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The District and the City and County of San Francisco entered into an administration agreement whereby, on the District's behalf, the City and County of San Francisco will levy and collect the assessments from the Members through the Members' secured property tax bills. For payments received in conjunction with the first and second installment of secured property taxes, the City and County of San Francisco will remit those funds to the District on or before January 10th and May 10th, respectively. Delinquent assessments will be remitted to the District at least once during the final quarter of the fiscal year and from time to time, at the discretion of the Controller of the City and County of San Francisco.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Accounts Receivable and Allowance for Doubtful Accounts*

Accounts receivable generally consists of amounts due from Members and are stated at the amount the District expects to collect. When necessary, the District provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. The allowance for doubtful accounts was \$103,254 and \$0 at June 30, 2015 and 2014, respectively.

D. *Furniture and Equipment*

Furniture and equipment is stated at cost. Donated assets are recorded at their estimated fair market values at date of donation. Depreciation is computed over the estimated useful lives of the respective assets, ranging from 2 to 3 years, on a straight-line basis. Expenses for maintenance, repairs and minor renewals are charged against operations as incurred.

E. *Accrued Vacation*

Accrued vacation is comprised of unpaid vacation. Vacation is accrued as earned and sick leave is not accrued since it does not vest. All accrued vacation is considered to be a current liability. The balance at June 30, 2015 and 2014 was \$4,399 and \$4,399, respectively.

F. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. *Income Taxes*

The District is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the District qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The District paid no taxes on unrelated business income in the years ended June 30, 2015 or 2014.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that the District does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the District's tax returns will not be challenged by the taxing authorities and that the District will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the District's tax returns remain open for federal income tax examination for three years from the date of filing.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Advertising Costs

Advertising costs, if any, are expensed as incurred.

I. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect the management's judgment about the assumptions that market participants would use in pricing the asset or liability.

J. Reclassification

Certain amounts in the 2014 financial statements were reclassified to be comparable with the 2015 presentation. There was no effect on previous reported change in net assets.

NOTE 3 – CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents are comprised of cash in banks, which is insured by the Federal Depository Insurance Corporation up to \$250,000, and is reported using the Level 1 fair value measurement. The District has not experienced any losses in such accounts. Management believes the District is not exposed to any significant risk related to cash.

NOTE 4 – OPERATING LEASE

The District rents office space subject to an operating lease beginning December 1, 2011, for \$750 per month, plus common area maintenance charges. The lease term is month-to-month, subject to termination by either party. Rent expense, including common area maintenance charges totaled over \$8,000 and \$9,000 for the years ended June 30, 2015 and 2014, respectively, and is included with facilities and equipment expense on the Statement of Activities.

NOTE 5 – OUTSIDE SERVICE CONTRACT

The District contracts with MJM Management Group to provide ambassador, janitorial, maintenance, and other services on the District's behalf. At June 30, 2015 and 2014, MJM charges were \$542,296 and \$507,778, respectively.

CIVIC CENTER COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 – SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through DATE, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2015 that require recognition or disclosure in such financial statements.