

**CASTRO/UPPER MARKET COMMUNITY  
BENEFIT DISTRICT, INC.  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2016**

**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2016**

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# CHEK TAN AND COMPANY

A CERTIFIED PUBLIC ACCOUNTING FIRM

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Castro/Upper Market Community Benefit District, Inc.  
San Francisco, California

We have reviewed the accompanying financial statement of Castro/Upper Market Community Benefit District, Inc. (a nonprofit organization), which comprise the statement of position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows 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 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.

### **Accountant's 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 AICPA. 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.

### **Accountant's 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.

*Cheh Tan and Company, LLP*

San Francisco, California  
October 7, 2016

  
601 VAN NESS AVENUE, SUITE Q/R  
SAN FRANCISCO, CALIFORNIA 94102  
TEL: 415.673.8573 FAX: 415.673.0883  
www.chektan.com

**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

**ASSETS**

<b>Current assets</b>	
Cash and cash equivalents	\$ 281,367
Accounts receivable	2,473
Assessments receivable	31,925
Grants receivable	363,092
Property and equipment, at cost (net of accumulated depreciation of \$1,862)	2,496
Security deposits	<u>3,892</u>
<b>Total assets</b>	<b>\$ <u><u>685,245</u></u></b>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>	
Accounts payable	\$ 791
Accrued expenses and other payable	<u>8,457</u>
<b>Total liabilities</b>	<b><u>9,248</u></b>
<b>Net assets</b>	
Unrestricted net assets	334,307
Temporarily restricted net assets	<u>341,690</u>
<b>Total net assets</b>	<b><u>675,997</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u><u>685,245</u></u></b>

See independent accountant's review report and accompanying notes

**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

Support and revenue	
Assessment revenue	\$ 471,837
Affiliate member dues	9,693
Contributions	419,970
In-kind rent and facility use	800
In-kind materials and supplies	3,242
Interest income	<u>128</u>
Total support and revenue	<u>905,670</u>
Expenses	
Program services	642,069
General and administrative	<u>57,784</u>
Total expenses	<u>699,853</u>
Changes in net assets	205,817
Net assets, beginning of year	<u>470,180</u>
Net assets, end of year	\$ <u><u>675,997</u></u>

See independent accountant's review report and accompanying notes

**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Sidewalk cleaning	\$ 282,517	\$ 0	\$ 282,517
Security and public safety	90,778	0	90,778
Castro Care services	78,291	0	78,291
Streetscape improvements	5,664	0	5,664
Marketing and Castro Ambassadors	13,544	0	13,544
Events and promotions	22,643	836	23,479
Payroll	110,538	18,557	129,095
Payroll taxes and workers' compensation	10,377	1,831	12,208
Support and legal	199	22,657	22,856
Operation expenses	11,431	9,808	21,239
Rent expense	12,045	4,079	16,124
Travel and meetings	0	16	16
In-kind material and supplies	3,242	0	3,242
In-kind rent	800	0	800
	<u>642,069</u>	<u>57,784</u>	<u>699,853</u>
<b>Total functional expenses</b>	<b>\$ <u>642,069</u></b>	<b>\$ <u>57,784</u></b>	<b>\$ <u>699,853</u></b>

See independent accountant's review report and accompanying notes

**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**

Cash flows from operating activities:	
Increase in net assets	\$ 205,817
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	<u>1,104</u>
Net cash provided by operating activities before changes in operating assets and liabilities	<u>206,921</u>
Change in operating assets and liabilities:	
Accounts receivable	6,631
Assessments receivable	35,263
Grants receivable	(215,592)
Prepaid expenses	3,934
Accounts payable	(54,594)
Accrued expenses and other payable	<u>(2,808)</u>
Net cash used in operating assets and liabilities	<u>(227,166)</u>
Net cash used in operating activities	<u>(20,245)</u>
Net decrease in cash and cash equivalents	(20,245)
Cash and cash equivalents at beginning of year	<u>301,612</u>
Cash and cash equivalents at end of year	<u><u>\$ 281,367</u></u>

See independent accountant's review report and accompanying notes

**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Note 1 - Nature of Activities

a. Organization

The Castro/Upper Market Community Benefit District, Inc. ('Organization'), was incorporated in California on December 7, 2005 as a non-profit public benefit corporation. Its mission is to provide services that improve the quality of life in the neighborhood emphasizing clean, safe, beautiful streets. It also promotes the area's economic vitality, fosters the Castro's unique district identity, and honors its diverse history. All property owners whose parcels of land fall within the Organization's geographic area fund the Organization through a special assessment fee, as established after a majority of property owners vote and legislation adopted by the Board of Supervisors on August 2, 2005 and signed on August 8, 2005 by the Mayor of the City and County of San Francisco (the City).

Upon formation of the district in 2005, its members (property owners) were assessed an annual special tax assessment levied by the City under the Property and Business Improvement District Law of 1994. The term of the district will expire (unless renewed) on December 31, 2020. Under a contract with the City and a Management Plan, the Organization receives these special tax assessments and, in exchange, provides certain services to the members of the District. The services include, but are not limited to, supplemental regular cleaning of the sidewalks and curb gutters (sweeping/steam cleaning), graffiti removal, security, marketing, greening and landscaping services, public space management, sponsorship of special events and other district promotional activities, and management and corporate operations.

Note 2 - Significant Accounting Policies

a. Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP).

b. 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.



**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Note 2 - Significant Accounting Policies (continued)

b. Basis of presentation (continued)

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.

c. Contribution

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 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.

d. 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, 2016.

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.

**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Note 2 - Summary of Significant Accounting Policies (continued)

e. 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, 2016 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.

f. Donated services and materials

Donated 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.

Donated property is recognized as contribution in the accompanying financial statements at its estimated fair market value at date of gift.

g. Use of accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

h. Cash and cash equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

i. Concentration of credit risk

The Organization places its cash and cash equivalents with financial institutions and its balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depository bank. At various times, the Organization had cash balances in excess of the insured amount. At June 30, 2016, the Organization has an uninsured balance of \$30,256.

**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Note 2 - Summary of Significant Accounting Policies (continued)

j. Property and equipment

All acquisitions of property and equipment in excess of \$1,000 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.

k. 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.

Note 3 - Property and Equipment

At June 30, 2016, property and equipment consisted of the following:

		Estimated Useful Lives (years)
Computer equipment	\$ 2,527	3
Furniture and fixtures	<u>1,831</u>	7
	4,358	
Less: Accumulated depreciation	<u>(1,862)</u>	
Net property and equipment	<u>\$ 2,496</u>	

For the year ended June 30, 2016, depreciation expense amounted to \$1,104.

Note 4 - Concentration of Support and Revenue

The Organization received special benefit assessments under a contract with the City and County of San Francisco, which represents approximately 52% of the Organization's total revenue.

**CASTRO/UPPER MARKET COMMUNITY BENEFIT DISTRICT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Note 5 - Net Assets

Unrestricted net assets	
Designated by the Board for	
District identity and streetscape improvements	\$ 14,089
Reserves	81,393
Undesignated	
Unrestricted net assets	<u>238,825</u>
Total unrestricted net assets	<u>334,307</u>
Temporarily restricted net assets	
Restricted for	
OEWD – retail strategy	24,455
JWP Donation	434
JWP Grant	140,517
Castro Care donations	30,006
Castro Care grant	<u>146,278</u>
Temporarily restricted net assets	<u>341,690</u>
Total net assets	<u><u>\$ 675,997</u></u>

Note 6 - Operating Lease

The Organization conducts its operation from facility that is leased under a three-year non-cancelable operating lease expiring on August 31, 2017. The lease contains a renewal option. Future minimum rental payments due under the lease are as follows:

For the year ending June 30,	
2017	\$ 45,600
2018	<u>7,600</u>
Total future minimum lease payments	<u><u>\$ 53,200</u></u>

Note 7 - Subsequent Events

The Company has evaluated subsequent events through October 7, 2016, the date which the financial statements were available to be issued.