



**COMMUNITY BENEFIT
DISTRICT**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

AND

**FROM PERIOD JULY 29, 2014 (INCEPTION)
TO JUNE 30, 2015**

LOWER POLK COMMUNITY BENEFIT DISTRICT

CONTENTS

Independent Auditors' Report	1-2
---	-----

Financial Statements

Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7

Notes to Financial Statements	8-19
--	------

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lower Polk Community Benefit District

We have audited the accompanying financial statements of *Lower Polk Community Benefit District* (LPCBD), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended June 30, 2016 and the period July 29, 2014 (inception) to June 30, 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 *Lower Polk Community Benefit District* as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year ended June 30, 2016 and the period July 29, 2014 (inception) to June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

San Francisco, California
July 10, 2017

LOWER POLK COMMUNITY BUSINESS DISTRICT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 1,410,966	\$ 8,786
Assessments receivable	10,527	--
Promises to give	500,000	--
Prepaid expenses	40,840	--
Capital assets, net	<u>19,981</u>	<u>--</u>
Total Assets	<u>\$ 1,982,314</u>	<u>\$ 8,786</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 87,562	\$ --
Accrued expenses	<u>6,963</u>	<u>--</u>
Total Liabilities	<u>94,525</u>	<u>--</u>
Net Assets		
Unrestricted	1,387,789	8,786
Temporarily restricted	<u>500,000</u>	<u>--</u>
Total Net Assets	<u>1,887,789</u>	<u>8,786</u>
Total Liabilities and Net Assets	<u>\$ 1,982,314</u>	<u>\$ 8,786</u>

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BENEFIT DISTRICT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD FROM JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015**

	2016			2015	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Total
Revenue, Gains, and Other Support					
Assessment revenue	\$ 1,554,608	\$ -	\$ 1,554,608	\$ --	\$ --
Contributions	529,650	500,000	1,029,650	10,039	10,039
Interest and other income	<u>413</u>	<u>--</u>	<u>413</u>	<u>--</u>	<u>--</u>
Total Revenue, Gains, and Other Support	<u>2,084,671</u>	<u>500,000</u>	<u>2,584,671</u>	<u>10,039</u>	<u>10,039</u>
Expenses					
Program services	514,592	--	514,592	--	--
Supporting services					
Management and administrative	<u>191,076</u>	<u>--</u>	<u>191,076</u>	<u>1,253</u>	<u>1,253</u>
Total Expenses	<u>705,668</u>	<u>--</u>	<u>705,668</u>	<u>1,253</u>	<u>1,253</u>
Change in net assets	1,379,003	500,000	1,879,003	8,786	8,786
Net Assets - Beginning	<u>8,786</u>	<u>--</u>	<u>8,786</u>	<u>--</u>	<u>--</u>
Net Assets - Ending	<u>\$ 1,387,789</u>	<u>\$ 500,000</u>	<u>\$ 1,887,789</u>	<u>\$ 8,786</u>	<u>\$ 8,786</u>

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BUSINESS DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services		
	Cleaning and Maintenance	Safety Ambassadors	Marketing, Streetscape and Beautification	Total	Management and Administration	Fundraising	Total
Management personnel expenses	\$ 28,987	\$ 28,987	\$ 3,051	\$ 61,025	\$ 139,666	\$ --	\$ 200,691
Contract services	--	18,890	--	18,890	--	--	18,890
Waste removal	13,874	--	--	13,874	--	--	13,874
Street cleaning	319,309	--	--	319,309	--	--	319,309
Street steam cleaning	42,450	--	--	42,450	--	--	42,450
Tree pruning and watering	4,260	--	--	4,260	--	--	4,260
Supplies	41,718	--	--	41,718	--	--	41,718
Uniforms	1,997	--	--	1,997	--	--	1,997
Advertising and event services	--	--	11,069	11,069	--	--	11,069
Meeting travel and transportation	--	--	--	--	7,161	--	7,161
Insurance	--	--	--	--	2,977	--	2,977
Bank Fees	--	--	--	--	258	--	258
Legal fees	--	--	--	--	5,845	--	5,845
Rent	--	--	--	--	35,169	--	35,169
Total	<u>\$ 452,595</u>	<u>\$ 47,877</u>	<u>\$ 14,120</u>	<u>\$ 514,592</u>	<u>\$ 191,076</u>	<u>\$ --</u>	<u>\$ 705,668</u>

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BUSINESS DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE PERIOD FROM JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

	Program Services				Supporting Services		
	Cleaning and Maintenance	Safety Ambassadors	Marketing, Streetscape and Beautification	Total	Management and Administration	Fundraising	Total
Insurance	\$ --	\$ --	\$ --	\$ --	\$ 1,063	\$ --	\$ 1,063
Bank fees	--	--	--	--	190	--	190
Total	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,253</u>	<u>\$ --</u>	<u>\$ 1,253</u>

The accompanying notes are an integral part of these financial statements.

LOWER POLK COMMUNITY BUSINESS DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD FROM JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ 1,879,003	\$ 8,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,489	--
(Increase) decrease in assets		
Assessments receivable	(10,527)	--
Promises to give	(500,000)	
Prepaid expenses	(40,840)	
Increase (decrease) in liabilities:		
Accounts payable	87,562	
Accrued expenses	6,963	--
Net Cash Provided by Operating Activities	<u>1,424,650</u>	<u>8,786</u>
Cash Flows From Investing Activities		
Purchase of capital assets	<u>(22,470)</u>	<u>--</u>
Net Cash Used in Investing Activities	<u>(22,470)</u>	<u>--</u>
Net Increase in Cash and Cash Equivalents	1,402,180	8,786
Cash and Cash Equivalents - Beginning	<u>8,786</u>	<u>--</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,410,966</u>	<u>\$ 8,786</u>

The accompanying notes are an integral part of these financial statements.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

The Lower Polk Community Benefit District) is an Internal Revenue Code (IRC) §501(c)(3) community-based organization (further referred to as “LPCBD”). The LPCBD was formed in 2014 and began operations in 2016. The property owners of the business district formed the LPCBD to improve the quality of life in the area by making the area cleaner, safer, and well maintained. The LPCBD has a contract with the City and County of San Francisco (the City) for a term of 15 years, expiring on June 30, 2029. The LPCBD is generally 22 whole or partial blocks from approximately the south side of California Street to the east side of Van Ness Avenue and from the north side of Myrtle Street to the west side of Larkin Street.

The LPCBD exists to implement programs to create a neighborhood that is safer, cleaner, and a better place to conduct business and live. These programs and services are funded by district property owners in the Lower Polk neighborhood.

The LPCBD’s mission statement is as follows:

The Lower Polk Community Benefit District will advance the quality of life for residents, workers, and visitors, by fostering a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the area’s economic base.

Programs and services provided by the LPCBD include:

- **Cleaning and Maintenance** – Includes regular sidewalk sweeping, alley cleaning, refuse removal, regularly scheduled steam cleanings, pressure washing, graffiti removal, tree pruning and watering, tree well weeding with crushed granite replenishment a variety of safety efforts.
- **Safety Ambassadors** – The program will work with residents, merchants and youth on a variety of safety programs and strategies. One of which includes Safety Ambassadors on Foot Patrol to provide a reassuring presence, whom continually engage members of the public, interact with merchants to share safety related information, and report any observed illegal behaviors to the police.
- **Marketing, Streetscape and Beautification Program** – This program is designed to augment existing City services as well as to ensure new marketing initiatives designed to promote both the stability and growth within the area.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

The LPCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that LPCBD report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of LPCBD are classified and reported as described below:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support LPCBD's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2016 and 2015 and the year ended June 30, 2016, and the initial period from July 29, 2014 to June 30, 2015, LPCBD did not have any net assets meeting the definition of permanently restricted.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

LPCBD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ASSESSMENTS RECEIVABLE

Assessments receivable represents contribution obligations of local property owners due to LPCBD. Unpaid receivables do not accrue interest.

LPCBD uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on an evaluation of the outstanding receivables. As of June 30, 2016 and 2015, management believes all assessments will be collected, and therefore an allowance for uncollectible assessments was not needed.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

LPCBD uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on experience and reputation of donor and management's analysis of promises to give. As of June 30, 2016 and 2015, management believes all promises to give will be collected, and therefore an allowance for uncollectible promises to give was not needed.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

LPCBD's capitalizes acquisitions of furniture and equipment, and intangibles with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation on furniture and equipment is calculated using the straight-line method based upon estimated useful lives at 5 years. Website development costs are amortized using the straight-line method over 15 years. The website is not internally developed. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation and amortization of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

ACCRUED VACATION

Full-time employees may accrue up to 16.67 hours per month depending on the number of years employed. Part-time employees accrue vacation on a prorated basis. Employees can accrue a maximum of 200 hours of vacation paid time off.

REVENUE RECOGNITION

Assessment Revenue

LPCBD receives its support primarily from a special assessment levied by the City on properties located within the business district in accordance with City Ordinance. The assessment is recorded by LPCBD when earned. The City remits the assessments to LPCBD as the assessments are collected from the property owners. Interest is not charged on late assessments; however, late penalties are charged in accordance with the City's policy.

Contributions

LPCBD recognizes all contributions when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the restriction.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statements of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, LPCBD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. LPCBD reclassifies temporarily restricted net assets to unrestricted net assets at that time.

LPCBD records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the year ended June 30, 2016 and initial period from July 29, 2014 to June 30, 2015, LPCBD recognized contributed goods and services in the amount of \$6,000 and \$--, respectively.

ADVERTISING

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended June 30, 2016 and the initial period from July 29, 2014 to June 30, 2015 was \$3,609 and \$--, respectively.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

LPCBD is a qualified organization exempt from federal income taxes under §501(c)(3) of the IRC. See Note 9 regarding the status of California's tax exemption.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2016 and 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. LPCBD is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject to concentrations of credit risk consist principally of cash and cash equivalents. LPCBD maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. LPCBD has not experienced any losses in such accounts. Management believes that LPCBD is not exposed to any significant credit risk related to concentrations.

Revenue Concentration

During the year ended June 30, 2016, LPCBD received 60% and 39% of its total income from the City in the form of assessments and from a donor in the form of one large contribution, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time by each program.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNDRAISING REQUIREMENTS

The City's contract requires LPBCD to annually raise not less than 5.55% of its annual budget from sources other than the City's assessments.

For the initial period from July 29, 2014 to June 30, 2015, the City waived this requirement as LPCBD was not operational until the year ended June 30, 2016.

During the year ended June 30, 2016, LPCBD submitted their mid-year and annual report on their activities to the City. The fundraising requirement for program services was met at that time.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued new guidance, Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), and its international counterpart, IFRS 15, to provide sweeping new, globally applicable converged guidance concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. The FASB also issued ASU 2015-14 which deferred the effective date of ASU 2014-09, which is applicable for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU 2016-02 will be effective for nonpublic companies for fiscal years beginning after December 15, 2019, including interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. Management is evaluating the impact of this new guidance.

In August 18, 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, representing the completion of the first phase of a two-phase project to amend not-for-profit (NFP) financial reporting requirements as set out in FASB

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

ASC 958, *Not-for-Profit Entities*. This standard eliminates:

- The distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions).
- Removes the current requirement to present or disclose the indirect method (reconciliation) when using the direct method of reporting cash flows.
- Requires NFPs to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.
- Requires NFPs to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

NFPs will reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. This amendment eliminates the current option that, in the absence of explicit donor stipulations, had allowed an NFP to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed) rather than when placed in service.

ASU 2016-14 also requires enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- Qualitative information that communicates how an NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position.
- Quantitative information and additional qualitative information in the notes as necessary, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- Amounts of expenses by both their natural classification and their functional classification and the methods used to allocate costs among program and support functions.
- Underwater endowment funds.

NFP entities are required to adopt this standard for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

NOTE 2 - PROMISES TO GIVE

The LPCBD's unconditional promises to give at June 30, 2016, consist of the following:

	Due in Less Than 1 Year	Due in 1 to 5 Years	Total
Temporarily Restricted			
Inherent time restriction	\$ 500,000	\$ --	\$ 500,000
Allowance for doubtful promises	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 500,000</u>	<u>\$ --</u>	<u>\$ 500,000</u>

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS

Capital assets at June 30, 2016, consist of the following:

Furniture and Equipment	\$	16,010
Website		<u>6,460</u>
Total furniture and equipment		22,470
Less: accumulated depreciation and amortization		<u>(2,489)</u>
Total	\$	<u>19,981</u>

During the year ended June 30, 2016, depreciation and amortization expense was \$2,489.

NOTE 4 - RETIREMENT PLAN

Effective January 1, 2016, LPCBD established a defined contribution retirement plan (the Plan) for employees over 18 years of age. All employees employed at April 27, 2016, are considered eligible. The retirement plan will allow eligible employees to make voluntary contributions by salary reduction to the Plan, up to 92% of compensation and not to exceed the limit allowed by the IRC. Any eligible employee who does not make a voluntary contribution election will be automatically enrolled in the plan with a salary reduction of 3% for the first year, with 1% increases annually up to 6% of compensation. LPCBD will match employee's contributions 100% up to 1% of compensation and 50% from 2% up to 6% of compensation. LPCBD can also make discretionary profit sharing contributions.

During the year ended June 30, 2016, LPCBD made \$919 in matching contributions, included in management personnel expenses on the statements of functional expenses.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND
FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 5 - UNRESTRICTED NET ASSETS

Unrestricted net assets as of June 30:

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$ 19,981	\$ --
Undesignated	<u>1,367,808</u>	<u>8,786</u>
Total	<u>\$ 1,387,789</u>	<u>\$ 8,786</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016, consist of \$500,000 of inherent time restricted promises to give. There are no donor-imposed restrictions on the use of such funds once they are received.

NOTE 7 - COMMITMENTS

LPCBD has entered into a service agreement with a vendor to perform program services starting May 16, 2016 until May 15, 2019, with the option to extend the term for an additional year. LPCBD will be billed monthly for services performed according to stipulated billing rates and service charges. The annual cost of services will not exceed \$478,479, \$485,656, and \$492,941, in year one, two, and three of this contract, respectively.

LPCBD entered into a two year office lease in San Francisco, California commencing on September 1, 2015 to August 31, 2017, with monthly payments of \$3,517.

The following is a schedule of minimum lease commitments:

For the Years Ending <u>June 30,</u>	<u>Office Lease</u>
2017	\$ 42,204
2018	<u>7,034</u>
Total	<u>\$ 49,238</u>

During the year ended June 30, 2016, LPCBD paid rent in the amount of \$35,169.

THE LOWER POLK COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 AND FOR THE PERIOD JULY 29, 2014 (INCEPTION) TO JUNE 30, 2015

NOTE 8 - RELATED PARTY TRANSACTION

The Board President of LPCBD Board of Directors is married to the office manager of LPCBD. During the year ended June 30, 2016, the office manager received compensation of \$17,954.

NOTE 9 - SUBSEQUENT EVENTS

LPCBD received a grant dated July 1, 2016, from the City commencing July 1, 2016 to June 30, 2017. The grant is for the maximum amount of \$57,682, to determine the level of support for the formation of a new community benefit district in the Middle Polk neighborhood. Subsequent to year end, on September 16, 2017, the Board authorized LPCBD to enter into a fiscal sponsorship agreement with Middle Polk CBD Steering Committee.

On March 23, 2017, LPCBD agreed to serve as the fiscal agent for the Ocean Phelan Public Sculpture Project.

Subsequent to June 30, 2016, LPCBD filed for California tax exemption under §23701d of the California Revenue and Taxation Code. The application is pending and in management's opinion, a favorable determination letter is expected as LPCBD has operated in accordance with the applicable requirements of §23701d of the California Revenue and Taxation Code.

LPCBD has evaluated all subsequent events through July 10, 2017, the date the financial statements were available to be issued and except for the matters noted above, has not identified any matters requiring adjustment to, or disclosure, in the accompanying financial statements.