

**CENTRAL MARKET COMMUNITY
BENEFIT CORPORATION**

REVIEWED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

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**CENTRAL MARKET COMMUNITY
BENEFIT CORPORATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Central Market Community Benefit Corporation
San Francisco, California

We have reviewed the accompanying statement of financial position of Central Market Community Benefit Corporation (a California nonprofit benefit organization) as of December 31, 2016, and the related statements of activities and cash flows 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 statement taken 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 the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the 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 issued by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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 in order for them to be in accordance with generally accepted accounting principles in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modification 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.

Supplementary Information

The supplementary information included in the Schedule of Functional Expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

A handwritten signature in black ink that reads "Maze & Associates".

Pleasant Hill, California
April 25, 2017

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

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CENTRAL MARKET COMMUNITY BENEFIT CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS

Current Assets:

Cash and cash equivalents (Note 3)	\$1,217,670
Cash restricted for contingencies and reserve (Note 3)	393,425
Other assets	66,534
Security deposits	<u>1,875</u>

Total Assets 1,679,504

LIABILITIES

Current Liabilities:

Accounts payable	82,112
Accrued expenses	46,173
Deferred revenue (Note 5)	<u>906,263</u>

Total Liabilities 1,034,548

NET ASSETS (Note 2G)

Unrestricted 644,956

Total Net Assets \$644,956

See accountant's review report and notes to financial statements.

CENTRAL MARKET COMMUNITY BENEFIT CORPORATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

CHANGE IN UNRESTRICTED NET ASSETS:

Support and Revenues:

Local property assessments	\$1,484,513
General benefit non-assessment revenue	468,712
Investment Income	<u>80</u>
Total Support and Revenues	<u>1,953,305</u>

Expenses:

Program:

Cleaning and maintenance	357,089
Public safety	469,084
General benefit non-assessment expense	444,984
Management and economic development	<u>332,301</u>
Total Expenses	<u>1,603,458</u>
Change in Unrestricted Net Assets	349,847
Unrestricted Net Assets, Beginning of Year	<u>295,109</u>
Unrestricted Net Assets, End of Year	<u><u>\$644,956</u></u>

See accountant's review report and notes to financial statements.

CENTRAL MARKET COMMUNITY BENEFIT CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$349,847
Adjustments to reconcile support and revenue over expenses to net cash provided (used) by operating activities:	
Increase/decrease in:	
Accounts receivable	28,971
Other assets	(66,534)
Accounts payable	17,058
Accrued expenses	(29,791)
Deferred revenue	<u>74,965</u>
Total adjustments	<u>24,669</u>
Net cash provided by operating activities	<u>374,516</u>
Net increase in cash	374,516
Cash and cash equivalents, beginning of year	<u>1,236,579</u>
Cash and cash equivalents, end of year	<u><u>\$1,611,095</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

No taxes or interest were paid by the Corporation during 2016

See accountant's review report and notes to financial statements.

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CENTRAL MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

NOTE 1 – ORGANIZATION AND PROGRAMS

A. Reporting Entity

Central Market Community Benefit Corporation (CMCBC) or (the Organization) is a California nonprofit, community-based organization incorporated in February 2007, to provide programs and services to improve the overall cleanliness, safety and economic development of the Central Market district in San Francisco, California.

Funding is provided primarily from special assessments collected from every property owner in the district through the City and County of San Francisco. The annual budget for CMCBC is allocated into the following spending categories: 24.6% cleaning and maintenance, 28.7% public safety, 35.2% management and economic development and 11.5% contingency.

B. Programs

Cleaning and Maintenance – CMCBD public realm services include: graffiti abatement, sidewalk sweeping and pressure washing, landscape maintenance and reporting of issues to the Department of Public Works.

Public Safety – CMCBD's Community Guides program provides way-finding assistance, social service outreach and serves as eyes and ears on the street deterring and reporting crime. CMCBD also provides a uniformed SFPD 10b Police Officer to support CMCBD field staff. 10b Officers work alongside CMCBD staff to address crime and quality of life issues within the neighborhood.

Management and Economic Development – Management oversees the Organization's operations and advocates for more responsive City services. Economic development efforts support District business attraction, retention and expansion; and marketing and special events that enhance District awareness and vitality.

CENTRAL MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor or payor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. The Organization considers that all contributions for long-lived assets have implied time restrictions and classifies this support as temporarily restricted until the purpose restriction is met. When a restriction expires, that is, when a stipulated time restriction ends or the 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.

B. *Income Taxes*

The Organization 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 Organization 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 Organization paid no taxes on unrelated business income for the year ended December 31, 2016.

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 Organization 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 Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for federal income tax examination for three years from the date of filing.

CENTRAL MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Estimates*

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

D. *Statement of Cash Flows*

For purposes of the statement of cash flows, the Organization considers all highly liquid debt investments purchased with an initial maturity of three months or less to be cash equivalents.

E. *Functional Expenses*

The costs of providing the 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 benefitted based on management's estimates.

F. *Support and Revenue Recognition*

Support and revenue are recognized when the donor or grantee makes a promise to give to the Organization that is, in substance, unconditional. Support that is restricted by donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

G. *Net Assets Classifications*

The Organization is required to report 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.

Unrestricted Net Assets: Unrestricted net assets include expendable resources over which the CMCBC Board of Directors has discretionary control and are used to carry out operations in accordance with its bylaws. Included in unrestricted net assets are funds used to account for fixed asset acquisitions, improvements and related activities.

CENTRAL MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted Net Assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Organization.

Permanently Restricted Net Assets: Permanently restricted net assets include resources subject to donor-imposed stipulations that they be maintained permanently by the Organization.

H. *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.

I. *Advertising*

The Organization follows the policy of expensing advertising costs as incurred.

CENTRAL MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

NOTE 3 – CASH AND CASH EQUIVALENTS

As of December 31, 2016, the Organization's cash is summarized as follows:

Cash in bank	<u>\$1,611,095</u>
Total	<u><u>\$1,611,095</u></u>

Of the \$1,611,095 total cash and cash equivalents above, \$393,425 has been set aside as restricted for contingencies and reserve, in accordance with the Organization's management plan with the City and County of San Francisco.

NOTE 4 – RETIREMENT PLAN

The Organization sponsors a defined contribution plan for its full-time employees. The Organization contributed \$6,036 to the plan during the year ended December 31, 2016.

NOTE 5 – DEFERRED REVENUE

Assessments for any given year are collected in the prior year and may be transferred to the Organization in the year collected. As of December 31, 2016, the balance of deferred revenue is \$906,263 and is expected to be applied in 2017.

NOTE 6 – ASSESSMENT REVENUE

The Organization receives assessment revenues from the San Francisco City and County on behalf of members in the assessment district as a part of the County tax roll. Conversely, the Organization does not have control over unpaid assessments. The City and County may not be able to collect on unpaid assessments. As such, revenue is only recorded when received.

As of December 31, 2016, the Organization had outstanding assessments of \$24,448 for fiscal year 2016.

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through January 25, 2017, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2016 that require recognition or disclosure in such financial statements.

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SUPPLEMENTAL INFORMATION

CENTRAL MARKET COMMUNITY BENEFIT CORPORATION

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	<u>Totals</u>
Cleaning and Maintenance	
Cleaning and Maintenance Support	\$345,916
Cleaning Maintenance Indirect Expense	11,173
Total Cleaning and Maintenance Expense	<u>357,089</u>
Public Safety	
Community Guides	348,812
Dispatch Services	43,462
10B Officers	61,359
Public Safety Indirect Expense	15,451
Total Public Safety Expense	<u>469,084</u>
Total Program Expense	<u>826,173</u>
Management and Economic Development	
Rent	14,200
Office Supplies	3,544
Accounting and Auditing Fees	17,837
Legal Fees	475
Marketing and Promotion	18,990
Marketing and Promotion Indirect Expense	613
Other Indirect Expense	1,165
Economic Development	
Economic Development	40,757
Economic Development Indirect Expense	1,864
Staff	
Salaries	189,550
Payroll Taxes	17,298
Health and Other Fringe Benefits	19,165
Workers' Compensation	2,543
Payroll Fees	4,300
Total Management and General	<u>332,301</u>
Total Expenses (A)	<u><u>\$1,158,474</u></u>

(A) - Total Expenses does not include contingencies and reserve