

2018

FINANCIAL STATEMENTS

**TOP OF BROADWAY COMMUNITY
BENEFIT DISTRICT, INC.**

**FOR THE YEAR ENDED
JUNE 30, 2018**

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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CHEK TAN

AND COMPANY, LLP

A CERTIFIED PUBLIC ACCOUNTING FIRM

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Top of Broadway Community Benefit District, Inc.
San Francisco, CA

We have reviewed the accompanying financial statement of Top of Broadway Community Benefit District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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.

Chek Tan & Co. LLP

San Francisco, California
March 18, 2019

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current assets		
Cash	\$	50,644
Prepaid expense		1,137
Property and equipment, at cost (net of accumulated depreciation of \$6,048)		<u>4,061</u>
Total assets	\$	<u><u>55,842</u></u>

LIABILITIES AND NET ASSETS

Current assets		
Accounts payable	\$	<u>5,812</u>
Total liabilities		5,812
Net assets		
Unrestricted net assets		50,030
Total net assets		<u>50,030</u>
Total liabilities and net assets	\$	<u><u>55,842</u></u>

See independent accountant's review report and accompanying notes.

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Support and revenue	
Assessment revenue	\$ 107,824
Contributions	<u>50,000</u>
Total support and revenue	<u>157,824</u>
Expenses	
Program services	111,898
Supporting services	
Management and general	<u>87,623</u>
Total expenses	<u>199,521</u>
Changes in net assets	(41,697)
Net assets, beginning of year	<u>91,727</u>
Net assets, end of year	<u><u>\$ 50,030</u></u>

See independent accountant's review report and accompanying notes.

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services- Management and General	Total
	<u> </u>	<u> </u>	<u> </u>
Security and safety	\$ 755	0	\$ 755
Sidewalk cleaning and maintenance	68,276	0	68,276
Depreciation	2,016	0	2,016
District Identity	380	0	380
Insurance	0	2,882	2,882
Landscaping and streetscapes	20,500	0	20,500
License and Permits	0	80	80
Printing and copying	0	502	502
Bad debt	0	8,903	8,903
Supplies	227	1,657	1,884
Support and professional services fees	<u>19,743</u>	<u>73,600</u>	<u>93,343</u>
 Total functional expenses	 <u>\$ 111,897</u>	 <u>\$ 87,624</u>	 <u>\$ 199,521</u>

See independent accountant's review report and accompanying notes.

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Decrease in net assets	\$ (41,697)
Adjustments to reconcile the decrease in net assets to net cash used in operating activities:	
Depreciation	2,016
Write off of grant receivable	<u>8,903</u>
Net cash used by operating activities before changes in operating assets and liabilities	<u>(30,778)</u>
Change in operating assets and liabilities:	
Grants Receivable	14,587
Prepaid expenses	43
Accounts payable	<u>5,812</u>
Net cash provided by operating assets and liabilities	<u>20,442</u>
Net cash used in operating activities	<u>(10,336)</u>
Net decrease in cash	<u>(10,336)</u>
Cash at beginning of year	<u>60,980</u>
Cash at end of year	<u><u>\$ 50,644</u></u>

See independent accountant's review report and accompanying notes.

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 - Nature of Activities

a. Organization

The Top of Broadway Community Benefit District, Inc. ('Organization'), was incorporated in California on October 18, 2013 as a non-profit public benefit corporation. Its mission is to make the area around Broadway a safe, beautiful, diverse and enjoyable place to live, work and visit with a commitment to promote economic vitality, improve livability and advocate area history and identity. 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 voted and legislation adopted by the Board of Supervisors, and signed by the Mayor of the City and County of San Francisco ('City').

Upon formation of the district in 2013, 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 June 30, 2021. 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/pressure washing), graffiti removal, security, marketing, greening and landscaping services, public space management, and 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).

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.

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2 - Significant Accounting Policies (continued)

a. 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.

b. 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.

c. 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, 2018.

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.

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

d. Grants receivable

Grants receivable consists of amounts due from governmental agencies.

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, 2018 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. Concentration of credit risk

The Organization places its cash with financial institutions and its balances are insured by the Federal Deposit Insurance Corporation. At June 30, 2018, there was no uninsured balance.

i. Deferred revenue

Deferred revenue consists of payments received in advance from property owners who are outside the district to receive same types of community services provided to the members of the district.

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

j. Property and equipment

All acquisitions of property and equipment in excess of \$500 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. Maintenance and repairs, which are not considered betterments and do not extend the useful life of property and equipment, are charged to expense as incurred. When property and equipment are retired or disposed of, their cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in net assets.

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.

l. Recent accounting pronouncements

On August 18, 2016, the FASB issued ASU 2016-14 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early adoption is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. Management is currently evaluating the impact the amendments in this ASU will have on the financial statements.

m. Date of Management Review

The Company has evaluated subsequent events through March 18, 2019, the date which the financial statements were available to be issued.

TOP OF BROADWAY COMMUNITY BENEFIT DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 - Property and Equipment

At June 30, 2018, property and equipment consisted of the following:

		Estimated Useful Lives (years)
Equipment	\$ <u>10,109</u>	5
	10,109	
Less: Accumulated depreciation	<u>(6,048)</u>	
Net property and equipment	<u>\$ 4,061</u>	

For the year ended June 30, 2018, depreciation expense amounted to \$2,016.

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 68% of the Organization's total revenue.

The Organization also received grant and contribution from one donor in the total amount of \$50,000, which represents 32% of the Organization's total revenue.

Note 5 - Net Assets

Unrestricted net assets		
Designated by the Board for		
District identity activities	\$	11,507
General and administration		3,502
Undesignated		35,021
Total unrestricted net assets	\$	50,030