

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS**

**For the Year Ended**  
**June 30, 2019**

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To the Board of Directors  
Lower Polk Community Benefit District  
San Francisco, California

We have audited the accompanying financial statements of Lower Polk Community Benefit District (LPCBD) (a California nonprofit public benefit corporation) which comprise the statement of financial position as of June 30, 2019, and the related statement of activities, statement of functional expenses and statement of cash flows for the year then ended, 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.

### *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 of 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 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, Inc. as of June 30, 2019, 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.

April 27, 2020

*Bunker & Company LLP*

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2019**

|  | 2019         |
|--|--------------|
| <b>ASSETS</b>  |              |
| Current assets   |              |
| Cash and cash equivalents (Note 2)   | \$ 500,560   |
| Grants receivables   | 89,577       |
| Assesment and other receivables  | 14,377       |
| Prepaid expenses   | 73,350       |
| Total current assets   | 677,864      |
| Equipment, net of accumulated depreciation<br>of \$199,115 in 2019 (Notes 2 and 4) | 382,517      |
| Total assets   | \$ 1,060,381 |
| <b>LIABILITIES AND NET ASSETS</b>  |              |
| Current liabilities  |              |
| Accounts payable   | \$ 21,397    |
| Accrued liabilities  | 226,894      |
| Advances received  | 24,795       |
| Unearned revenue   | 76,090       |
| Total current liabilities  | 349,176      |
| Net assets:  |              |
| Net assets without restrictions (Note 4)   | 696,828      |
| Net assets with restrictions (Note 5)  | 14,377       |
| Total net assets   | 711,205      |
| Total liabilities and net assets   | \$ 1,060,381 |

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2019**

|   | Net Assets<br>without Donor<br>Restrictions | Net Assets with<br>Temporary Donor<br>Restrictions | Total      |
|---|---|--|------------|
| <b>REVENUE AND SUPPORT</b>                |   |  |            |
| Assessment revenue                        | \$ 281,352                                  | \$ 597,871   | \$ 879,223 |
| Grant revenue                             | -   | 596,014  | 596,014    |
| Contributions                             | 80  | -  | 80         |
| Fiscal agent fee                          | 281   | -  | 281        |
| Interest                                  | 94  | -  | 94         |
| Loss on assets disposal                   | (639)                                       | -  | (639)      |
| Total Revenue, gains and other support    | 281,168                                     | 1,193,885  | 1,475,053  |
| <br>Net assets released from restrictions | 1,179,508                                   | (1,179,508)  | -          |
|   | 1,460,676                                   | 14,377   | 1,475,053  |
| <br><b>EXPENSES</b>                       |   |  |            |
| Program                                   |   |  |            |
| Cleaning, maintenance, and safety         | 889,560                                     | -  | 889,560    |
| Marketing, streetscape and beautification | 585,581                                     | -  | 585,581    |
| Total program services                    | 1,475,141                                   | -  | 1,475,141  |
| <br>Supporting services                   |   |  |            |
| Management and general                    | 233,678                                     | -  | 233,678    |
| Fundraising                               | 69,751                                      | -  | 69,751     |
| Total supporting services                 | 303,429                                     | -  | 303,429    |
| Total expenses                            | 1,778,570                                   | -  | 1,778,570  |
| <br>Change in net assets                  | (317,894)                                   | 14,377   | (303,517)  |
| <br>Net assets, beginning of year         | 1,014,722                                   | -  | 1,014,722  |
| <br>Net assets, end of year               | \$ 696,828                                  | \$ 14,377  | \$ 711,205 |

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2019**

|  | <b>Program Services</b>          |   |                     | <b>Support Services</b>   |                  | <b>Total</b>        |
|--|----------------------------------|---|---------------------|---------------------------|------------------|---------------------|
|  | Cleaning,<br>Maintenance, Safety | Marketing, Streetscape<br>Improvements,<br>Beautification | Total Programs      | Management and<br>General | Fundraising      |                     |
| Grant Expenses   | \$ -                             | \$ 114,037  | \$ 114,037          | \$ 500                    | \$ -             | \$ 114,537          |
| Salaries and wages                                       | 446,532                          | 192,945   | 639,477             | 87,239                    | 51,152           | 777,868             |
| Payroll taxes  | 36,383                           | 15,303  | 51,686              | 8,337                     | 4,070            | 64,093              |
| Employee benefits  | 48,750                           | 18,020  | 66,770              | 10,924                    | 3,368            | 81,062              |
| Contract services  | 25,557                           | 2,497   | 28,054              | 1,110                     | 278              | 29,442              |
| Professional services                                    | 36,157                           | 106,564   | 142,721             | 25,575                    | 4,877            | 173,173             |
| Rent and other occupancy                                 | 61,987                           | 23,074  | 85,061              | 25,828                    | -                | 110,889             |
| Insurance  | 71,523                           | 31,535  | 103,058             | 17,185                    | 4,022            | 124,265             |
| Marketing and advertising                                | -                                | 12,754  | 12,754              | -                         | -                | 12,754              |
| Postage and printing                                     | 2,404                            | 1,518   | 3,922               | 99                        | 25               | 4,046               |
| Repairs and maintenance                                  | 4,746                            | 2,965   | 7,711               | 1,608                     | -                | 9,319               |
| Software, subscriptions, license,<br>and fees            | 2,330                            | 9,516   | 11,846              | 17,413                    | 348              | 29,607              |
| Supplies and equipment                                   | 55,867                           | 9,667   | 65,534              | 2,263                     | 145              | 67,942              |
| Travel, training, conference, meals<br>and entertainment | 5,076                            | 16,955  | 22,031              | 3,852                     | 723              | 26,606              |
| Utilities  | 9,708                            | 2,579   | 12,287              | 3,427                     | 209              | 15,923              |
| Vehicle Operations                                       | 12,357                           | -   | 12,357              | -                         | -                | 12,357              |
| Depreciation amortization                                | 70,183                           | 25,652  | 95,835              | 28,318                    | 534              | 124,687             |
| Total Expenses   | <u>\$ 889,560</u>                | <u>\$ 585,581</u>   | <u>\$ 1,475,141</u> | <u>\$ 233,678</u>         | <u>\$ 69,751</u> | <u>\$ 1,778,570</u> |
| Percent of Total   | 50%                              | 33%   | 83%                 | 13%                       | 4%               | 100%                |

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2019**

|   | 2019                |
|---|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |
| Change in net assets  | <u>\$ (303,517)</u> |
| Adjustments to reconcile change in net assets<br>to net cash provided (used) by operating activities: |                     |
| Depreciation  | 124,688             |
| Loss on asset disposal  | 639                 |
| Changes in assets and liabilities:  |                     |
| Assessments and other receivables   | 7,690               |
| Grants receivable   | 150,628             |
| Prepaid expenses  | (811)               |
| Deferred revenue  | 76,090              |
| Accounts payable  | (97,929)            |
| Accrued expenses  | 132,031             |
| Advances received   | 24,795              |
| Total adjustments   | <u>417,821</u>      |
| Net cash (used) provided by operating activities  | <u>114,304</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |
| Purchase of capital assets  | (33,049)            |
| Disposal of capital assets  | 2,066               |
| Purchase of intangible assets   | (28,200)            |
| Net cash used for investing activities  | <u>(59,183)</u>     |
| Net change in cash and cash equivalents   | 55,121              |
| Cash and cash equivalents, beginning of year  | <u>445,439</u>      |
| Cash and cash equivalents, end of year  | <u>\$ 500,560</u>   |

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT, INC.**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2019**

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization – Lower Polk Community Benefit District (LPCBD) is a not-for-profit community-based organization. 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 for a term of 15 years, expiring on June 30, 2029. 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.

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, contributions from donors, and grants from the City and County of San Francisco.

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. On April 30, 2018 LPCBD terminated its contract with an outside vendor to provide the majority of these services and hired a work force to bring these services in-house.

**Safety Ambassadors** – The program works with residents, merchant and youth on a variety of safety programs and strategies. Safety Ambassadors on Foot Patrol 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 to ensure new marketing initiatives designed to promote both the stability and growth within the area.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

Method of Accounting – The financial statements of the LPCBD are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, which reflects revenue when earned and expenses as incurred.



**LOWER POLK COMMUNITY BENEFIT DISTRICT, INC.**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2019**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Basis of Presentation – The LPCBD is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions.

Net assets with temporary donor restrictions - Net assets resulting (a) from contributions and other inflows of assets whose use by the LPCBD is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the LPCBD pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets.

Net assets with permanent donor restrictions - Net assets resulting (a) from contributions and other inflows of assets whose use by the LPCBD is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the LPCBD, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Fair Value Measurements – The LPCBD carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received if selling an asset or paid if transferring a liability in an orderly transaction between market participants at the measurement date. Fair value measurement standards also require the LPCBD to classify these financial instruments into a three-level hierarchy. The LPCBD classifies its financial assets and liabilities according to the below three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities, without adjustment.

Level 2 – Quoted prices in markets that are not considered to be active for identical or similar assets or liabilities, quoted prices in active markets of similar assets or liabilities, and inputs other than quoted prices that are observable or can be corroborated by observable market data.

**LOWER POLK COMMUNITY BENEFIT DISTRICT, INC.**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2019**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Level 3 – Inputs that are both significant to the fair value measurement and unobservable, including inputs that are not derived from market data or cannot be corroborated by market data.

The LPCBD's carrying amounts of its assets and liabilities, approximate fair value under Level 1 for the year ended June 30, 2019.

As of June 30, 2019, there were no permanently restricted net assets.

Property, Equipment, and Leasehold Improvements - The LPCBD records property, equipment, and leasehold improvements at cost of acquisition, or, if donated, the fair market value at the date of donation. Depreciation is recognized using the straight-line method over the useful lives of the assets, which range from three to five years. The LPCBD capitalizes all property, equipment, and improvements with a cost in excess of \$1,000.

Contributions, Revenue Recognition, and Accounts Receivable – Assessments and other receivables represent amounts due from the City and County of San Francisco (CCSF) for obligations of local property owners collected on the behalf of LPCBD, and other amounts due to LPCBD for city hiring programs. Unpaid receivables do not accrue interest.

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

Contributions consist of cash contributions as well as in-kind goods and services provided to the LPCBD. Contributed services are recognized at their fair value if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Multi-year pledges are recorded at present value. Contributions receivable are reviewed for collectibility, and reserves for uncollectible amounts are established as needed. It is the practice of LPCBD to expense uncollectibles only after exhausting all efforts to collect the amounts due. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to net assets without donor restrictions.

Advertising Costs – It is the policy of the LPCBD to expense advertising costs as incurred.

**LOWER POLK COMMUNITY BENEFIT DISTRICT, INC.**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2019**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Allocation of Expenses - The costs of providing the various programs, supporting services and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates and analysis of personnel time spent on each program and activity.

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 future results could differ from those estimates.

Income Taxes - The LPCBD is exempt from federal and state taxes under Section 501(c) (3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be a Corporation other than a private Foundation. In the opinion of management, there is no unrelated business income.

Recent Accounting Pronouncements –

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*, amending the ASC 958. This update changes the presentation of certain information in the financial statements and footnote disclosures of not-for-profit entities. The update also changes the way that not-for-profit entities classify net assets. The new guidance is effective for the LPCBD for the year beginning July 1, 2019.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for the Corporation's year beginning July 1, 2019, with early adoption permitted.

Lower Polk Community Benefit District, Inc. is in full compliance with both of the above pronouncements.

**LOWER POLK COMMUNITY BENEFIT DISTRICT, INC.**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2019**

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**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

|   | <u>2019</u>       |
|---|-------------------|
| Furniture, equipment and vehicles         | \$ 145,336        |
| Leasehold improvements                    | 370,436           |
| Website and mobile app                    | <u>65,860</u>     |
| Total property and equipment              | 581,632           |
| Accumulated depreciation and amortization | <u>(199,115)</u>  |
| Property and equipment, net               | <u>\$ 382,517</u> |

Depreciation and amortization expense was \$124,688 for the year ended June 30, 2019.

**NOTE 4 NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions as of June 30, 2019, consisted of the following:

|   | <u>2019</u>       |
|---|-------------------|
| Capital assets, net                         | \$ 382,517        |
| Undesignated                                | <u>351,306</u>    |
| Total net assets without donor restrictions | <u>\$ 733,823</u> |

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30, 2019, consisted of the following:

|                       | <u>2019</u>      |
|-----------------------|------------------|
| Assessment receivable | <u>\$ 14,377</u> |

**NOTE 6 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 on or after April 27, 2016 are considered eligible. The Plan allows eligible employees to make voluntary contributions by salary reduction up to 92% of compensation but not to exceed the limits allowed by the IRC.

Any eligible employee who does not make voluntary contribution election or elects out of the Plan, will be automatically enrolled in the Plan with a salary reduction of 3% for the first year, 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 may also make discretionary profit sharing contributions.

**LOWER POLK COMMUNITY BENEFIT DISTRICT, INC.**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2019**

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**NOTE 6 RETIREMENT PLAN (continued)**

During the year ended June 30, 2019, LPCBD made \$19,312 in matching contributions, which are included in employee benefits expense on the statement of functional expenses.

**NOTE 7 COMMITMENTS**

**Funding**

LPCBD's revenue, which is derived from government grants and contracts, is subject to audit by the government agencies. In accordance with the terms of the CCSF's contracts, an audit may be performed by an authorized CCSF representative. Should such an audit disclose any unallowable costs, LPCBD may be liable to the CCSF for reimbursement of such costs.

In the opinion of LPCBD's management the effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2019.

**Lease**

LPCBD leases office space in San Francisco, California under an operating lease that commenced on November 1, 2016 and expires October 31, 2021. The lease calls for monthly payments at \$4,200 that escalate to \$8,439 during the fifth year.

| Fiscal year ended,<br><u>June, 30</u> |                   |
|---------------------------------------|-------------------|
| 2020                                  | \$ 97,376         |
| 2021                                  | 100,288           |
| 2022                                  | <u>42,195</u>     |
| Total                                 | <u>\$ 239,859</u> |

During the year ended June 30, 2019, LPCBD paid rent in the amount of \$102,156.

**NOTE 8 RELATED PARTY TRANSACTIONS**

A Board member of LPCBD is married to the office manager of LPCBD.

**NOTE 9 FUNDRAISING REQUIREMENTS**

The CCSF's contract requires LPCBD to annually raise not less than 5.5% of its annual budget from sources other than CCSF's assessments. For the year ended June 30, 2019, LPCBD satisfied this requirement.

**LOWER POLK COMMUNITY BENEFIT DISTRICT, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2019**

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**NOTE 10 CONCENTRATION OF CREDIT RISK**

Revenue concentration of risk – During the year ended June 30, 2019, LPCBD received 99.9% of its total income from the City and County of San Francisco in the form of assessments and revenue from other programs.

As of June 30, 2019, LPCBD had cash balances with financial institutions which exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000 by approximately \$305,000.

**NOTE 10 CORONA VIRUS SUBSEQUENT EVENT**

Subsequent to the Statement of Financial Position date, the United States and global markets experienced significant volatility resulting from uncertainty caused by the world-wide coronavirus pandemic. LPCBD is closely monitoring its liquidity, and is actively working to minimize the impact of the economic disruption and other factors effecting its cash-flows.

**NOTE 11 SUBSEQUENT EVENTS**

Management has evaluated all material subsequent events through the Auditor's Report date, the date the financial statements were available to be issued, and are asserting there are none.