North of Market/Tenderloin Community Benefit Corporation

FINANCIAL STATEMENTS

June 30, 2019

(With Comparative Totals as of June 30, 2018)

Crosby & Kaneda

Certified Public Accountants
for Nonprofit Organizations

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Contents

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

1970 Broadway Suite 930
Oakland, CA 94612
www.ckcpa.biz
510-835-2727

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
North of Market/Tenderloin Community Benefit Corporation
San Francisco, California

We have reviewed the accompanying financial statements of North of Market/Tenderloin Community Benefit Corporation (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses 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 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 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.

Accountants' 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 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 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.

Accountants' 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.

Report on Summarized Comparative Information

The accompanying summarized comparative information as of and for the year ended June 30, 2018 is derived from financials that were previously reviewed by us and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated February 20, 2019. We have not performed procedures in connection with that review engagement since that date.

Crosby & Kaneda CPAs LLP

Oakland, California
June 9, 2021

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Financial Position
June 30, 2019
(With Comparative Totals as of June 30, 2018)

	2019	2018
Assets		
Assets		
Cash and cash equivalents	$ 859,630	$ 524,597
Assessments receivable	11,539	77,289
Grants receivable	338,242	63,295
Prepaid expenses	144,698	14,982
Deposits	10,500	10,500
Property and equipment, net (Note 3)	1,750	-
Total Assets	$ 1,366,359	$ 690,663
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 267,703	$ 50,789
Accrued vacation	32,875	-
Deferred revenue	507,299	-
Total Liabilities	807,877	50,789
Net Assets		
Without donor restrictions	558,482	639,874
With donor restrictions	-	-
Total Net Assets	558,482	639,874
Total Liabilities and Net Assets	$ 1,366,359	$ 690,663

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Support and Revenue				
Assessment revenue (Note 6)	$ 1,143,428	$	$ 1,143,428	$ 1,113,856
Government grants and contracts	700,566		700,566	251,315
Foundation and corporate grants	372,256	35,000	407,256	15,681
Individual	53,870		53,870	1,057
Program service fees	6,966		6,966	-
Interest and other income	7,234		7,234	529
Support provided by expiring time and purpose restrictions	35,000	(35,000)	-	-
Total Support and Revenue	2,319,320	-	2,319,320	1,382,438
Expenses				
Program	1,992,714		1,992,714	1,384,588
Management and general	378,448		378,448	232,171
Fundraising	29,550		29,550	28,712
Total Expenses	2,400,712	-	2,400,712	1,645,471
Change in Net Assets	(81,392)	-	(81,392)	(263,033)
Net Assets, beginning of year	639,874		639,874	902,907
Net Assets, end of year	$ 558,482	$ -	$ 558,482	$ 639,874

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (81,392)	$ (263,033)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	1,250	-
Change in assets and liabilities:		
Assessments receivable	65,750	78,872
Grants receivable	(274,947)	36,705
Prepaid expenses	(129,716)	15,160
Deposits	-	-
Accounts payable and accrued expenses	216,914	(7,544)
Accrued vacation	32,875	-
Deferred revenue	507,299	-
Net cash provided (used) by operating activities	338,033	(139,840)
Cash flows from investing activities:		
Property and equipment purchases	(3,000)	-
Net cash provided (used) by investing activities	(3,000)	-
Net change in cash	335,033	(139,840)
Cash and cash equivalents, beginning of year	524,597	664,437
Cash and cash equivalents, end of year	$ 859,630	$ 524,597

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Program	Management and General	Fundraising	Total 2019	Total 2018
Salaries	$ 627,624	$ 152,618	$ 17,905	$ 798,147	$ 248,582
Employee benefits	51,394	12,497	1,466	65,357	28,753
Payroll taxes	51,071	12,419	1,457	64,947	68,708
Total Personnel	730,089	177,534	20,828	928,451	346,043
Management services	8,564	70,252	-	78,816	406,923
Accounting fees	-	16,000	-	16,000	12,743
Cleaning services	918,699	-	-	918,699	741,666
Camera services	238,434			238,434	-
Other fees for service	31,568	31,730	-	63,298	703
Advertising and promotion	-	-	-	-	4,569
Office expenses and supplies	42,396	22,260	2,612	67,268	22,308
Occupancy	-	49,593	5,818	55,411	45,604
Depreciation	-	1,119	131	1,250	-
Insurance	-	7,655	-	7,655	7,802
Public space improvement	22,964	-	-	22,964	48,987
Miscellaneous	-	2,305	161	2,466	8,123
Total Expenses	$ 1,992,714	$ 378,448	$ 29,550	$ 2,400,712	$ 1,645,471

NOTE 1: NATURE OF ACTIVITIES

The North of Market/Tenderloin Community Benefit Corporation (the Organization) is a California nonprofit public benefit corporation, which was established in 2005. The ultimate goal of the North of Market/Tenderloin Community Benefit Corporation is to provide systematic cleaning and beautification services to all of the parcels in the historic Tenderloin district. The North of Market/Tenderloin Community Benefit Corporation is funded entirely by special assessments levied on properties within the district. The North of Market/Tenderloin Community Benefit Corporation executes its mandate to provide cleaning and beautification services with a committee-based structure made up of the following committees:

Executive Committee oversees staff and contracts, corporate finances, insurance, grants, budget development, bylaws and policies, generation of Board agendas and meetings, etc.

Public Rights of Way Committee oversees cleaning services in the public right of way such as sidewalk sweeping, steam cleaning, tree planting and maintenance, and relations with the San Francisco Department of Public Works.

Community Engagement and Communications Committee oversees projects that promote the district and positive aspects of District Identity.

Safe Passage Committee oversees the Safe Passage Program and other safety initiatives.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; There were no restrictions of this nature as of June 30, 2019

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time when any of the following conditions are met: The customer receives and consumes the benefits provided by the Organization's performance as the Organization performs; the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or the work does not create an asset with an alternative use to the Organization and the entity has a right to payment for performance completed to date.

Revenue is recognized over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached. Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met. Revenue from the sales of goods or merchandise are recognized at the point in time when the goods or merchandise are provided to the customer.

The Organization tracks contract assets representing earned amounts that are not yet receivable separately from accounts receivable, if any. As a practical expedient the

Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless related to a donor specified restriction for a particular purpose or future period.

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.

Grants Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. The Organization considers all contributions receivable to be fully collectible at June 30, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

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 IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of June 30, 2019 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.

Contributed Services

Contributed 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. There were no contributed services that met the criteria for recognition for the year ended June 30, 2019.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Estimates

The preparation of financial statements in conformity with GAAP 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.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on June 30, 2019.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over $3,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the shorter of the estimated useful lives on the property and equipment or the related lease terms as follows:

Leasehold improvements	15 years or lease term

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on estimated staff allocations at year end.

Occupancy, depreciation and other shared are allocated on dependent on the programs and supporting activities occupying the space.

Office expenses and supplies, insurance, and other expenses that cannot be directly identified are allocated on the basis of staff allocations for program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Changes in Accounting Principles

The Organization implemented *FASB ASU No. 2016-14* in the current yea, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.The unrestricted net asset class has been renamed net assets without donor restrictions. The financial statements include a disclosure about liquidity and availability of resources. The changes have the following effect on net assets at June 30, 2018:

Net Asset Class:	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 558,482	$ -
Net assets without donor restrictions	-	558,482
Total	$ 558,482	$ 558,482

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2019:

Leasehold improvements	$ 3,000
Less accumulated depreciation	(1,250)
Total	$ 1,750

NOTE 4: CONTINGENCIES

Community benefit district assessments are received under agreement with the City and County of San Francisco and assessments have been currently authorized through June 2020. The assessments and related revenue to the Organization may be terminated at an earlier date if the community benefit district which funds the Organization's operations is disestablished by a vote of the assessed property owners or in certain other circumstances.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 5: COMMITMENT

Operating Leases

The Organization is party to a lease for office space in San Francisco that expires on January 31, 2020. Future minimum lease payments were $26,733 for the year ended June 30, 2020.

NOTE 6: ASSESSMENT REVENUE

Assessment revenue consists of regular annual property assessments which are recognized as revenue when assessed. In addition, the Organization may receive other related revenue for late fees and other items, which it records when paid. Assessment revenue consisted of the following for the year ended June 30:

	2019	2018
Assessment revenue – regular annual	$ 1,129,138	$ 1,089,904
Assessment revenue – penalties and other	14,290	23,952
Total	$ 1,143,428	$ 1,113,856

NOTE 7: CONCENTRATIONS

Revenue

For the year ended June 30, 2019, the Organization received 49% of its revenue from community benefit district assessments on property owners in the North of Market/Tenderloin Community Benefit District. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

Geographic Area

The majority of the organization's revenue and support are received from corporations, foundations, government agencies and individuals located in the San Francisco area. As such, the organization's ability to generate resources may be dependent upon the economic health of that area.

NOTE 8: RETIREMENT PLAN

The Organization has a defined contribution retirement plan (the Plan) under section 403(b) of the Internal Revenue Code. The Plan covers all employees who meet age and length of service requirements. The Organization may make a matching contribution of up to 3% of the employee's salary. The contribution rate is determined annually. All contributions to an employee's account vest immediately. The Organization made no contributions for the years ended June 30, 2019 and 2018.

NOTE 9: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

Cash and cash equivalents	$ 859,630
Assessments receivable	11,539
Grants receivable	338,242
Total	$ 1,209,411

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements into its bank money market account.

NOTE 10: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of June 9, 2021, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Public Health Order – Coronavirus

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic and the Organization and the area it operates in was subject to a public health order related to COVID-19 coronavirus which affected activities of the Organization. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the

Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workforce.