North of Market/Tenderloin Community Benefit Corporation

FINANCIAL STATEMENTS

June 30, 2024

(With Comparative Totals as of June 30, 2023)

Crosby & Kaneda

Certified Public Accountants
for Nonprofit Organizations

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited 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, 2024, and the related statements of activities, cash flows and functional expenses, for the year then ended, and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North of Market/Tenderloin Community Benefit Corporation as of June 30, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we: Exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Obtain an understanding of internal control relevant to the audit 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 Organization’s internal control. Accordingly, no such opinion is expressed. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization’s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby + Kaneda CPAs LLP

Alameda, California
November 14, 2024

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Financial Position
June 30, 2024
(With Comparative Totals as of June 30, 2023)

	2024	2023
Assets		
Assets		
Cash and cash equivalents	$ 2,309,313	$ 1,531,098
Government receivables	633,904	436,676
Grants receivable	300,000	-
Accounts receivable	149,905	70,462
Assessments receivable	63,745	16,541
Prepaid expenses, deposits, and other assets	188,519	60,977
Right-of-use asset, operating lease	355,135	-
Property, plant, and equipment (Note 3)	21,676	2,820
Total Assets	$ 4,022,197	$ 2,118,574
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 502,630	$ 295,618
Accrued vacation	143,603	104,150
Deferred income (Note 4)	267,922	-
Recoverable grant (Note 5)	410,964	-
Operating lease liability (Note 6)	371,450	-
Total Liabilities	1,696,569	399,768
Net Assets		
Without donor restrictions	373,683	1,218,764
With donor restrictions (Note 8)	1,951,945	500,042
Total Net Assets	2,325,628	1,718,806
Total Liabilities and Net Assets	$ 4,022,197	$ 2,118,574

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Activities
For the Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
Support and Revenue				
Assessment revenue (Note 9)	$ 2,335,490		$ 2,335,490	$ 2,157,369
Government grants and contracts	1,902,792		1,902,792	1,599,568
Foundation support	525,301	2,788,779	3,314,080	1,260,771
Individual and corporate support	51,940	80,000	131,940	4,984
Cleaning and other program services	372,473		372,473	1,362,893
Interest	8,815		8,815	576
In-kind and other (Note 14)	135,505		135,505	33,720
Support provided by expiring time and purpose restrictions	1,416,876	(1,416,876)	-	-
Total Support and Revenue	6,749,192	1,451,903	8,201,095	6,419,881
Expenses				
Program	6,179,287		6,179,287	5,829,320
Management and general	1,129,776		1,129,776	484,893
Fundraising	285,210		285,210	155,687
Total Expenses	7,594,273	-	7,594,273	6,469,900
Change in Net Assets	(845,081)	1,451,903	606,822	(50,019)
Net Assets, beginning of year	1,218,764	500,042	1,718,806	1,768,825
Net Assets, end of year	$ 373,683	$ 1,951,945	$ 2,325,628	$ 1,718,806

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Cash Flows
For the Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 606,822	$ (50,019)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	4,344	4,029
Donations intended for long-term use	(84,500)	-
Discount on recoverable grant	(89,036)	
Change in assets and liabilities:		
Government receivables	(197,228)	-
Contributions receivable and accounts receivable	(300,000)	597,554
Accounts receivable	(79,443)	-
Assessments receivable	(47,204)	32,808
Prepaid expenses and deposits	(127,542)	(27,169)
Accounts payable and accrued expenses	207,012	(195,533)
Deferred income	267,922	-
Accrued vacation	39,453	31,678
Operating lease assets and liabilities	16,315	-
Net cash provided (used) by operating activities	216,915	393,348
Cash flows from investing activities:		
Purchase of property and equipment	(23,200)	-
Net cash provided (used) by investing activities	(23,200)	-
Cash flows from financing activities:		
Proceeds from recoverable grant	500,000	
Donations intended for long term use	84,500	-
Net cash provided (used) by financing activities	584,500	-
Net change in cash	778,215	393,348
Cash and cash equivalents, beginning of year	1,531,098	1,137,750
Cash and cash equivalents, end of year	$ 2,309,313	$ 1,531,098
Supplemental Information		
Interest paid	$ 6,737	$ -
Right-of-use assets obtained in exchange for lease liabilities	$ 355,135	$ -
Cash paid for operating lease	$ 163,463	$ -

See Notes to the Financial Statements

NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT CORPORATION

Statement of Functional Expenses
For the Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Program	Management and General	Fundraising	Total 2024	Total 2023
Salaries	$ 2,992,112	$ 554,412	$ 44,780	$ 3,591,304	$ 2,043,262
Retirement	41,228	6,789	1,449	49,466	27,683
Other employee benefits	529,623	87,825	17,702	635,150	214,452
Payroll taxes	249,285	45,836	3,750	298,871	166,908
Total Personnel	3,812,248	694,862	67,681	4,574,791	2,452,305
Neighborhood mini grants	272,085	-	-	272,085	202,132
Fees for service					
Cleaning services	269,399	-	-	269,399	2,347,751
Camera and Safety services	504,223	-	-	504,223	332,265
Public space improvements	113,925	-	-	113,925	74,519
Accounting fees	-	116,636	-	116,636	95,973
Communications	110,500	-	-	110,500	-
Other fees for service	467,279	104,698	121,588	693,565	463,237
Office expenses and supplies	364,634	81,810	26,310	472,754	282,967
Information technology	48,492	9,737	793	59,022	17,225
Occupancy	175,012	31,752	2,688	209,452	137,584
Depreciation	3,620	597	127	4,344	4,029
Interest	-	6,738	-	6,738	-
Insurance	28,920	8,272	1,016	38,208	24,040
In-kind services	-	70,670	64,835	135,505	30,720
Other expenses	8,950	4,004	172	13,126	5,153
Total Expenses	$ 6,179,287	$ 1,129,776	$ 285,210	$ 7,594,273	$ 6,469,900

NOTE 1: NATURE OF ACTIVITIES

The North of Market/Tenderloin Community Benefit Corporation ("TLCBD" or "Organization") is a California nonprofit public benefit corporation, which was established in 2005. The core purpose of TLCBD is to lead the evolution of the Tenderloin into a vibrant community for ALL with a focus on providing supplemental cleaning, safety and beautification services to a 40-block special benefits district in the Tenderloin neighborhood of San Francisco.

TLCBD continued its long-standing Clean and Safe programs and established innovative programs to support Tenderloin Parks and Open Spaces, Economic Opportunity for small businesses and residents, Pedestrian Safety, an expanded Tenderloin Camera Network, and Neighborhood Pride

TLCBD's Clean Program provides supplemental cleaning services in the public right-of-way including sidewalk and gutter sweeping, weekly pressure washing of all sidewalks, needles pick-up, human and animal waste sanitation and graffiti abatement. TLCBD also supports a fleet of Bigbelly trash cans with colorful wraps designed by local artists – bringing multiple litter receptables to every intersection in the district.

TLCBD's Safe Program operates the celebrated Safe Passage Program, which provides a visible safety presence on key corridors to help children and families get to and from school safely every day. Other safety initiatives include a Pedestrian Safety initiative to perform outreach, education and organizing to support safer streets in the neighborhood.

TLCBD's Camera Program manages a network of public realm cameras and fulfills footage requests for after-the-fact safety and criminal incidents from individuals and entities including, but not limited to, city departments involved in the criminal justice system.

TLCBD's Inviting Space program operates the Tenderloin Park Network to support safe, clean, and inviting parks and playgrounds as well as physical improvement and beautification projects to the sidewalks and other public spaces.

TLCBD's Economic Opportunity Program provides business assistance services, referrals and grants and advocates on behalf of small businesses in the neighborhood.

TLCBD's Neighborhood Pride Program provides support to multiple block groups as they seek to transform the physical and social conditions on their blocks. The program includes efforts to organize resident voices and bring attention to the dynamic low-income, affordable multi-racial neighborhood at the heart of San Francisco.

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 a particular purpose or for use 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, 2024.

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 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 Restrictions Met in the Same Reporting Period

The Organization has elected to treat government funding received with donor restrictions whose restrictions are met within the same reporting period as unrestricted contributions for purposes of the statement of activities. This policy is also applied to investment activity.

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

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 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.

Other 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.

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.

The Organization recognizes revenue for certain government funding on a deliverable basis rather than on a cost reimbursement basis. These deliverables are approved by agency staff prior to payment based on Organizational reporting of work performed.

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.

Government Support and Receivables

A portion of the Organization's revenue is derived from cost-based agreements with governmental funders which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. The support from these agreements is classified as conditional and revenue and related receivables are recognized as the Organization incurs eligible expenditures. Funds received in advance of expenditures are reported as deferred revenue. The Organization had cost-reimbursable grants of approximately $2.8M that have not been recognized as of June 30, 2024, because qualifying expenditures have not yet been incurred.

Accounts Receivable

Accounts receivable are unsecured non-interest bearing trade receivables. The Organization uses historical loss information adjusted for management's expectations about current and future economic conditions and the aging of receivables relative to expected payment dates as the basis to determine expected credit losses. If amounts become uncollectible, they are charged to the valuation allowance for credit losses if any, with any excess amounts charged to expense in the period in which that determination is made. The Organization considers all accounts receivable to be fully collectible at June 30, 2024. Accordingly, no allowance for doubtful accounts was deemed necessary. The Organization expects to collect all accounts receivable within one year.

Contributions Receivable

Contributions receivable, including pledges and grants 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 allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected for 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, 2024. 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. The Organization expects to receive all contributions receivable within one year.

Assessments Receivable

Assessments receivable primarily consist of tax assessments owed by property owners. Since the taxpayers will be subject to City enforcement procedures, the Organization expects to collect most assessments. However, the timing of collection may be significantly delayed in some cases and calculation, or other assessment changes may impact the total amount collected. Based on the balance outstanding, expected timing of payments and other factors the Organization may record an allowance or discount on assessment receivables. As of June 30, 2024, the Organization had recorded a discount or allowance of $14,931 against total assessments receivable.

Program Service Fees

Program service fees consist primarily of contracts conducted on a fee for service basis. The Organization recognizes revenue from such activities as the related performance obligations are completed.

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, 2024, 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.

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 value 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, 2024.

Property and Equipment

Property and equipment purchased by the Organization are 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 estimated useful lives on the property and equipment or the related lease terms as follows:

Computer equipment	3 years
Leasehold improvements	12 - 25 years

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.

Leases

The Organization evaluates all contracts to determine if they contain a lease. For leases with terms greater than 12 months, the Organization records a right-of-use asset and lease obligation at the present value of lease payments over the term of the lease. The

Organization expenses total lease costs on a straight-line basis over the related lease term. The Organization has elected to exclude leases that (a) have a lease term of 12 months or less and (b) do not contain a reasonably certain purchase option. The Organization has elected to combine non-lease components with related lease components unless non-lease components are billed separately. As the Organization's leases do not generally provide a readily determinable implicit interest rate, the Organization uses the risk-free rate commensurate with the respective terms of the leases to discount the lease payments. For the year ended June 30, 2024, short-term lease expenses for leases with terms greater than one month but less than 12 months totaled $0.

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 throughout the year.

Occupancy and depreciation are allocated based on the programs and supporting activities occupying the space.

Office expenses, supplies, insurance and other expenses that are not directly identifiable with any specific program or fundraising activity are allocated based on direct program costs.

Management and general expenses include all costs directly associated with the administrative and legal aspects of running the Organization as well as those costs that are not directly identifiable with any specific program or fundraising activity beyond shared costs that have been allocated as described above.

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.

Recent Accounting Pronouncements (CECL)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the probable incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses on financial instruments and other commitments to extend credit. The adoption of this update did not have a material impact on the Organization's financial statements.

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, 2023, 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.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of November 14, 2024, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2024	2023
Computer equipment	$ 4,833	$ 4,833
Leasehold improvement	29,560	6,360
Less accumulated depreciation	(12,717)	(8,373)
Total	$ 21,676	$ 2,820

NOTE 4: DEFERRED INCOME

Deferred income consisted of the following as of June 30, 2024:

Grant advance – DPW	$ 401,883
Less grant amounts recognized	(133,961)
Total	$ 267,922

NOTE 5: RECOVERABLE GRANT COMMITMENT

During the year ended June 30, 2024, the Organization received a recoverable grant commitment of $2,000,000 to provide short term funding for the purchase of a property in San Francisco. The Organization accounted for the initial $500,000 disbursement of funds as a loan. Further disbursements under the agreement of $1.5M are conditioned on the successful inspection of a purchased property by the Organization and certain third parties.

Once advanced, the grant is subject to repayment by December 2029 if the Organization meets certain operating objectives. The recoverable grant carries a 0% interest rate through repayment and the Organization recognizes the donative portion of this award based on a discount rate of 4%. Recoveries of the discount are reported as interest expense.

Recoverable grant agreement – capital project	$ 500,000
Less discount to present value	(89,036)
Total	$ 410,964

NOTE 6: OPERATING LEASE LIABILITY

The Organization is party to leases beginning January 2023 for two spaces on 48 Golden Gate Ave. and 105 Turk Street in San Francisco which expire in January 2027 and December 2026, respectively. Future minimum operating lease payments for the years ended June 30, are as follows:

2025	$ 153,600
2026	153,600
Thereafter	86,800
Less amounts considered interest	(22,550)
Total	$ 371,450
Weighted-average remaining lease term	2.2 years
Weighted-average risk-free rate used	3.8%

Operating lease cost for these leases for the years ended June 30, 2024 and 2023 was $163,463 and $105,449, respectively.

NOTE 7: CONTINGENCIES

Community Benefit District

Community benefit district assessments are received under agreement with the City and County of San Francisco and assessments have been currently authorized through June 2034. 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 and Governmental Funding

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 8: NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consisted of the following for the years ended June 30:

	2024	2023
Purpose	$ 1,778,408	$ 500,042
Capital campaign – building purchase	173,537	-
Total	$ 1,951,945	$ 500,042

NOTE 9: 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 years ended June 30:

	2024	2023
Assessment revenue – regular annual	$ 2,309,294	$ 2,137,786
Assessment revenue – penalties and other	26,196	19,583
Total	$ 2,335,490	$ 2,157,369

NOTE 10: CONCENTRATIONS

Foundation Support

For the year ended June 30, 2024, the Organization received 62% of its foundation support from one foundation. A reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

Revenue

For the year ended June 30, 2024, the Organization received 29% of its revenue from community benefit district assessments on property owners in the North of Market/Tenderloin Community Benefit District and 23% from the City and County of San Francisco. A reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

Grants and Accounts Receivable

As of June 30, 2024, approximately 55% of grants and accounts receivable was from the City and County of San Francisco.

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.

Concentration of Credit Risk – Bank Deposits

At times, the Organization had deposits in excess of federally insured limits of approximately $2.05M as of June 30, 2024. The Organization may be subject to credit risk or delayed fund access for amounts in excess of insured limits in the event of bank failure.

NOTE 11: 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 contributions of $49,466 and $27,683 for the years ended June 30, 2024 and 2023, respectively.

NOTE 12: RELATED PARTY ACTIVITY

The Organization's board includes representatives of the local community that the Organization operates within.

NOTE 13: COMMITMENTS

In January 2024, the Organization entered into a purchase agreement for a property in San Francisco for approximately $3,200,000 subject to certain conditions and paid a $42,000 earnest money deposit.

NOTE 14: IN-KIND SUPPORT

The Organization received the following contributions of nonfinancial assets during the year ended June 30, 2024, all of which were utilized with no further donor restrictions:

Type	Valuation method	Value
Donated legal services	Approx. 49 contributed hrs. at $500/hr. based on FMV for similar services	$ 46,445
Donated architectural services	Approx. 410 contributed hrs. at $100/hr. based on FMV for similar services	47,969
Marketing and fundraising consulting	Approx. 205 contributed hrs. at $200/hr. based on FMV for similar services	41,091
	Total	$ 135,505

NOTE 15: 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, 2024, are:

Cash and cash equivalents	$ 2,309,313
Government receivable	633,904
Contributions and grants receivable	300,000
Accounts receivable	149,905
Assessments receivable	63,745
Less purpose restricted net assets	(1,951,945)
Total	$ 1,504,922

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