

Source: Maureen Fisher, Executive Director, Clean & Safe
Enhanced Services District, via email on 2-5-20

CLEAN & SAFE, INC.

Audited Financial Statements

For the Years Ended June 30, 2017 and 2016



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clean & Safe, Inc.

We have audited the accompanying financial statements of Clean & Safe, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 from 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 organization'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 organization'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 Clean & Safe, Inc. as of June 30, 2017 and 2016, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacob, P.C.

Portland, Oregon
October 18, 2017

CLEAN & SAFE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,404,303	\$ 1,875,488
Cash - Holiday lighting and district amenities	947,217	725,683
Certificate of deposit	248,985	-
Accounts receivable, net	31,704	11,157
Prepaid expenses	1,665	55,616
Property and equipment, net	<u>46,565</u>	<u>26,125</u>
 TOTAL ASSETS	 <u><u>\$ 2,680,439</u></u>	 <u><u>\$ 2,694,069</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 101,518	\$ 213,373
Grants payable	-	275,000
Deferred revenue	<u>1,083,333</u>	<u>1,062,077</u>
 Total liabilities	 1,184,851	 1,550,450
 Unrestricted net assets	 <u>1,495,588</u>	 <u>1,143,619</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,680,439</u></u>	 <u><u>\$ 2,694,069</u></u>

See notes to financial statements.

CLEAN & SAFE, INC.
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Change in Unrestricted Net Assets:		
Revenue:		
Enhanced Services District fees	\$ 4,886,562	\$ 4,796,373
Other fees and support	329,977	208
Interest	<u>16,195</u>	<u>17,044</u>
 Total revenue	 <u>5,232,734</u>	 <u>4,813,625</u>
Expenses:		
Program:		
Public policy and business development	166,294	175,366
Public relations and marketing	377,040	397,214
Public space maintenance	1,327,046	1,265,756
Public space security	2,097,429	1,990,923
Holiday lighting and district amenities	331,713	326,209
Shared operating and overhead costs	258,093	223,454
Contributions	<u>56,341</u>	<u>5,750</u>
Total program expenses	4,613,956	4,384,672
Supporting services:		
Administration	<u>266,809</u>	<u>288,224</u>
 Total expenses	 <u>4,880,765</u>	 <u>4,672,896</u>
 Change in net assets	 351,969	 140,729
Net assets:		
Beginning of year	<u>1,143,619</u>	<u>1,002,890</u>
 End of year	 <u><u>\$ 1,495,588</u></u>	 <u><u>\$ 1,143,619</u></u>

See notes to financial statements.

CLEAN & SAFE, INC.
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 351,969	\$ 140,729
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Allowance for doubtful accounts	-	2,191
Depreciation	8,409	8,330
(Increase) decrease in:		
Accounts receivable	(20,547)	(6,614)
Prepaid expenses	53,951	(55,616)
Increase (decrease) in:		
Accounts payable and accrued expenses	(111,855)	32,520
Grants payable	(275,000)	-
Deferred revenue	21,256	20,500
Net cash provided by operating activities	<u>28,183</u>	<u>142,040</u>
Cash flows from investing activities:		
Purchase of property and equipment	(28,849)	-
Purchase of certificate of deposit	(248,985)	-
Net cash used in investing activities	<u>(277,834)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(249,651)	142,040
Cash and cash equivalents - beginning of year	<u>2,601,171</u>	<u>2,459,131</u>
Cash and cash equivalents - end of year	<u>\$ 2,351,520</u>	<u>\$ 2,601,171</u>
 Cash and cash equivalents	 \$ 1,404,303	 \$ 1,875,488
Cash - Holiday lighting and district amenities	<u>947,217</u>	<u>725,683</u>
Total cash	<u>\$ 2,351,520</u>	<u>\$ 2,601,171</u>

See notes to financial statements.

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Clean & Safe, Inc. (CSI or the Organization) was incorporated as a nonprofit Oregon corporation in June 1988, originally as an affiliate of the Portland Business Alliance (the Alliance); however, the organizations are no longer under common control. CSI's principal source of revenue is generated from Enhanced Services District (ESD) fees on downtown businesses within the Clean & Safe District established by the City of Portland (the City). Total ESD fees approximated \$4,887,000 and \$4,796,000 for the years ended June 30, 2017 and 2016, respectively. Expenditures of fee revenue are restricted to Clean & Safe services, which include security, business development, public relations and marketing, cleaning of sidewalks, graffiti removal, and administration. Clean & Safe services also provide employment opportunities to socially and economically disadvantaged persons. CSI contracts with the Alliance to provide these services.

CSI's contract with the City is in effect through September 30, 2021.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of CSI are derived from contractual exchange transactions and are not subject to donor-imposed restrictions. Accordingly, net assets of CSI and changes thereto are classified and reported as unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Certificate of Deposit

Certificate of deposit is recorded at cost plus accrued interest earned at 1.15%. The certificate has an original maturity date of six months and matures December 2017. The certificate of deposit is expected to be held to maturity.

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017 and 2016

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES, Continued

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Collections are the responsibility of the City of Portland. Balances that are still outstanding after reasonable collection efforts have been made by the City are written off through a charge to the valuation allowance and a credit to accounts receivable at the time the City notifies the Organization of the amount to write off.

Property and Equipment

CSI capitalizes property and equipment purchases over \$750. Property and equipment are stated at cost or at appraised value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives (generally three to five years) of the related assets.

Revenue Recognition and Deferred Revenue

Amounts received for particular operating purposes are deemed to be earned and reported as revenue when CSI has incurred expenditures related to the specific program. Such amounts received but not yet earned are included in deferred revenue.

Income Taxes

CSI is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. CSI is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017 and 2016

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through October 18, 2017, the date the financial statements were available to be issued.

2. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of the following at June 30, 2017 and 2016:

	2017	2016
Accounts receivable - ESD and other fees	\$ 36,895	\$ 16,348
Less allowance for uncollectible accounts	5,191	5,191
Accounts receivable, net	<u>\$ 31,704</u>	<u>\$ 11,157</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2017 and 2016:

	2017	2016
Equipment	\$ 63,682	\$ 34,833
Technology	7,250	7,250
Total property and equipment	70,932	42,083
Less accumulated depreciation	24,367	15,958
Property and equipment, net	<u>\$ 46,565</u>	<u>\$ 26,125</u>

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017 and 2016

4. HOLIDAY LIGHTING AND DISTRICT AMENITIES

During the year ended June 30, 2003, City of Portland ordinances stipulated a percentage of license fees collected to be used for the Holiday Lighting project. Additional stipulations were added during the year ended June 30, 2014 which allowed funds in excess of amounts necessary to fund the Holiday Lighting project to be used for other district amenities.

During the years ended June 30, 2017 and 2016, CSI incurred expenses totaling approximately \$388,100 and \$326,200, respectively, for the Holiday Lighting and District Amenities project. Expenses in 2017 include \$56,341 to purchase Big Belly trash compactors which were donated to the city. Cash includes remaining funds restricted for this project of approximately \$947,200 and \$725,700 at June 30, 2017 and 2016, respectively.

5. RELATED PARTY TRANSACTIONS

CSI carries out several transactions with companies where certain board members are employed in key management positions. All transactions were within the normal course of business and had an insignificant impact on the Organization. In addition, during the years ended June 30, 2017 and 2016, approximately \$777,800 and \$704,000, respectively, was paid to Central City Concern where a member of the CSI board of directors is employed.

CSI contracts with the Alliance to provide substantially all Clean & Safe services. Two members of the Board of Directors of CSI also serve on the board of the Alliance.

6. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of CSI if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017 and 2016

7. PURCHASE COMMITMENTS

CSI committed to pay approximately \$68,000 to Portland Mall Management, Inc. contingent upon terms of an agreement in place for the year beginning July 1, 2017. Accordingly, the amount is expected to be paid and recorded during the year ending June 30, 2018.

In 2015, CSI entered into a purchase agreement with Multi-Services, Inc. for Holiday Lighting services in the Clean & Safe District. The agreement stipulates CSI will pay a maximum of \$261,035 annually for the services beginning with the year ended June, 30, 2016, plus 2% annual cost increases thereafter. Additionally, CSI has committed under the same agreement to purchase replacement lighting at a cost of \$47,970 annually. The term of the contract expires May 1, 2018.

8. CONCENTRATIONS OF CREDIT RISK

CSI maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$867,000 and \$1,503,000 as of June 30, 2017 and 2016, respectively.