

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, 2019 and 2018



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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McDonald Jacobz, P.C.

Portland, Oregon
November 19, 2019

CLEAN & SAFE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 2,109,754	\$ 1,578,919
Cash - Holiday lighting and district amenities	743,280	1,135,679
Accounts receivable, net	33,335	82,622
Prepaid expenses	-	458
Property and equipment, net	<u>56,811</u>	<u>79,236</u>
 TOTAL ASSETS	 <u>\$ 2,943,180</u>	 <u>\$ 2,876,914</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 254,073	\$ 129,563
Deferred revenue	<u>1,207,852</u>	<u>1,107,684</u>
 Total liabilities	 1,461,925	 1,237,247
 Net assets without donor restrictions	 <u>1,481,255</u>	 <u>1,639,667</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,943,180</u>	 <u>\$ 2,876,914</u>

See notes to financial statements.

CLEAN & SAFE, INC.
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restrictions:		
Revenue:		
Enhanced Services District fees	\$ 5,374,162	\$ 5,071,478
Other fees and support	15,903	13,332
Interest	23,230	18,644
Total revenue	<u>5,413,295</u>	<u>5,103,454</u>
Expenses:		
Program:		
Public policy and business development	118,860	177,623
Public relations and marketing	379,841	392,326
Public space maintenance	1,441,009	1,380,864
Public space security	2,186,845	2,063,984
Holiday lighting and district amenities	745,302	353,945
Shared operating and overhead costs	228,454	229,729
Contributions	35,584	41,000
Total program expenses	5,135,895	4,639,471
Supporting services:		
Administration	435,812	319,904
Total expenses	<u>5,571,707</u>	<u>4,959,375</u>
Change in net assets without donor restrictions	(158,412)	144,079
Change in net assets with donor restrictions:		
Contributions and grants	15,903	-
Net assets released from restrictions:		
Satisfaction of purpose restrictions	(15,903)	-
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>
Change in net assets	(158,412)	144,079
Net assets:		
Beginning of year	<u>1,639,667</u>	<u>1,495,588</u>
End of year	<u>\$ 1,481,255</u>	<u>\$ 1,639,667</u>

See notes to financial statements.

CLEAN & SAFE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2019 and 2018

	2019			2018		
	Total Program	Admin- istration	Total	Total Program	Admin- istration	Total
Salaries and related expenses	\$ 1,051,007	\$ 97,327	\$ 1,148,334	\$ 1,138,462	\$ 125,556	\$ 1,264,018
Contracts - Security	2,116,389	-	2,116,389	1,995,580	-	1,995,580
Contracts - Maintenance	887,696	-	887,696	820,463	-	820,463
Contracts - Holiday lighting and district amenities	703,834	7,383	711,217	310,743	6,649	317,392
Operating expenses	341,386	222,527	563,913	333,223	82,010	415,233
Depreciation	-	22,425	22,425	-	15,771	15,771
Other	35,583	86,150	121,733	41,000	89,918	130,918
Total expenses	<u>\$ 5,135,895</u>	<u>\$ 435,812</u>	<u>\$ 5,571,707</u>	<u>\$ 4,639,471</u>	<u>\$ 319,904</u>	<u>\$ 4,959,375</u>

See notes to financial statements.

CLEAN & SAFE, INC.
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (158,412)	\$ 144,079
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Allowance for doubtful accounts	-	139
Depreciation	22,425	15,771
(Increase) decrease in:		
Accounts receivable	49,287	(51,057)
Prepaid expenses	458	1,207
Increase (decrease) in:		
Accounts payable and accrued expenses	124,510	28,045
Deferred revenue	<u>100,168</u>	<u>24,351</u>
Net cash flows from operating activities	<u>138,436</u>	<u>162,535</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(48,442)
Proceeds from certificate of deposit	<u>-</u>	<u>248,985</u>
Net cash flows from investing activities	<u>-</u>	<u>200,543</u>
 Net change in cash and cash equivalents	 138,436	 363,078
Cash and cash equivalents - beginning of year	<u>2,714,598</u>	<u>2,351,520</u>
Cash and cash equivalents - end of year	<u>\$ 2,853,034</u>	<u>\$ 2,714,598</u>
 Cash and cash equivalents	 \$ 2,109,754	 \$ 1,578,919
Cash - Holiday lighting and district amenities	<u>743,280</u>	<u>1,135,679</u>
Total cash	<u>\$ 2,853,034</u>	<u>\$ 2,714,598</u>

See notes to financial statements.

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 \$5,374,000 and \$5,071,000 for the years ended June 30, 2019 and 2018, 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019 and 2018

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.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

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 740 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.

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019 and 2018

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

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated include salaries and related expenses, and operating expenses, which are allocated on the basis of estimates of time and effort.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented except for the available resources and liquidity note (See Note 2).

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 November 19, 2019, the date the financial statements were available to be issued.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019 and 2018

2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Organization consist of the following at June 30, 2019:

	Total Financial Assets	Other Restrictions	Available for General Expenditure
Cash and cash equivalents	\$ 2,109,754	\$ -	\$ 2,109,754
Cash - Holiday lighting and district amenities	743,280	743,280	-
Accounts receivable, net	33,335	-	33,335
Total financial assets	<u>\$ 2,886,369</u>	<u>\$ 743,280</u>	<u>\$ 2,143,089</u>

See Note 5 for information about cash held for holiday lighting and district amenities.

3. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of the following at June 30, 2019 and 2018:

	2019	2018
Accounts receivable - ESD and other fees	\$ 38,665	\$ 87,952
Less allowance for uncollectible accounts	5,330	5,330
Accounts receivable, net	<u>\$ 33,335</u>	<u>\$ 82,622</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Equipment	\$ 112,124	\$ 112,124
Technology	7,250	7,250
Total property and equipment	119,374	119,374
Less accumulated depreciation	62,563	40,138
Property and equipment, net	<u>\$ 56,811</u>	<u>\$ 79,236</u>

CLEAN & SAFE, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019 and 2018

5. 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, 2019 and 2018, CSI incurred expenses totaling approximately \$745,300 and \$353,900, respectively, for the Holiday Lighting and District Amenities project. Expenses in 2019 include approximately \$315,700 to purchase and install trash cans, which were donated to the City. Cash includes remaining funds restricted for this project of approximately \$743,300 and \$1,135,700 at June 30, 2019 and 2018, respectively.

Board of Director members
conflict of interest? Contracting
for services and governance?

6. 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, 2019 and 2018, approximately \$887,700 and \$820,500, 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 to three members of the Board of Directors of CSI also serve on the board of the Alliance.

7. 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, 2019 and 2018

8. PURCHASE COMMITMENTS

CSI committed to pay approximately \$142,600 to companies contingent upon terms of an agreement in place. Accordingly, the amount is expected to be paid and recorded during the year ending June 30, 2020.

CSI also has an agreement for Holiday Lighting services in the Clean & Safe District through June 30, 2020. Commitments under the agreement total approximately \$244,600 through June 30, 2020.

9. 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 \$1,965,000 and \$1,490,000 as of June 30, 2019 and 2018, respectively.