

**MID MARKET COMMUNITY BENEFIT DISTRICT
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2023

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INTRODUCTORY SECTION

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MID MARKET COMMUNITY BENEFIT DISTRICT

**Financial Statements
For the Year Ended December 31, 2023**

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MID MARKET COMMUNITY BENEFIT DISTRICT

DECEMBER 31, 2023

BOARD OF DIRECTORS

Chris Callandrillo
Philip Gerrie
David Harrison
Mia Kautovaara
Jeannie Kim
Kristie Lober
Dipak Patel
Jim Sangiacomo
John Trudeau
Jane Weil
Bill Whitfield

MANAGEMENT

Tracy Everwine, Executive Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mid Market Community Benefit District
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mid Market Community Benefit District (District), which comprises the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows 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 the District as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 District 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 these 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 District'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 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 District'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 District'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.

Maze & Associates

Pleasant Hill, California
June 26, 2024

MID MARKET COMMUNITY BENEFIT DISTRICT
STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS

Current Assets:	
Cash and cash equivalents (Note 3)	\$1,719,931
Cash designated for contingencies and reserve (Note 3)	1,044,014
Account receivable (Note 2B)	196,664
Security deposits and other	<u>2,115</u>
Total Current Assets	<u>2,962,724</u>
Non Current Assets:	
Property and equipment, net of accumulated depreciation of \$65,907 (Note 2C)	<u>18,370</u>
Total Non Current Assets	<u>18,370</u>
Total Assets	<u><u>\$2,981,094</u></u>

LIABILITIES

Current Liabilities:	
Accounts payable	\$177,561
Accrued expenses	61,349
Deferred revenue (Note 2D)	<u>1,302,437</u>
Total Current Liabilities	<u>1,541,347</u>
Non Current Liabilities:	
Loans payable (Note 6A)	<u>18,137</u>
Total Non Current Liabilities	<u>18,137</u>
Total Liabilities	<u>1,559,484</u>

NET ASSETS (Note 2A)

Without donor restrictions	<u>1,421,610</u>
Total Net Assets	<u>1,421,610</u>
Total Liabilities and Net Assets	<u><u>\$2,981,094</u></u>

See accompanying notes to financial statements.

MID MARKET COMMUNITY BENEFIT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

Support and Revenues

Local property assessments (Note 5)	\$1,758,407
General Benefit Non-Assessment Revenue:	
Grants	189,024
Fees for Service	663,361
Contributions and Other	3,848
In-kind Contributions (Note 2E)	3,995
Net Investment Income	<u>60,055</u>
 Total Support and Revenues	 <u>2,678,690</u>

Expenses

Program services:	
Public Safety, Cleaning and Maintenance	1,068,192
General Benefit Non-Assessment Expenses	<u>866,887</u>
Sub-total Program services	<u>1,935,079</u>
 Support services:	
Marketing and Promotions	239,930
Economic Development	126,116
Management and General	389,786
Fundraising	<u>62,050</u>
Sub-total Support services	<u>817,882</u>
 Total Expenses	 <u>2,752,961</u>

Change in Net Assets	(74,271)
 Net Assets, Beginning of Year	 <u>1,495,881</u>
 Net Assets, End of Year	 <u><u>\$1,421,610</u></u>

See accompanying notes to financial statements.

MID MARKET COMMUNITY BENEFIT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	Program Services			Supporting Services			Total
	Public Safety, Cleaning and Maintenance	Non-Assessment	Marketing and Promotions	Economic Development	Management and General	Fundraising	
FUNCTIONAL EXPENSES							
Personnel Costs:							
Salaries		\$492,165	\$110,316	\$50,000	\$149,227	\$49,581	\$851,289
Payroll taxes		45,803			13,029	3,354	62,186
Health and other fringe benefits		84,470			37,736	6,970	129,176
Worker's compensation		9,541			2,934	711	13,186
Payroll fees		9,659			15,487	1,434	26,580
Subtotal Personnel Costs		641,638	110,316	50,000	218,413	62,050	1,082,417
Public Safety	\$502,745						502,745
Cleaning and maintenance	563,279	36,220					599,499
Economic Development and Marketing:							
Economic development				42,798			42,798
Marketing and promotion			4,313				4,313
Subtotal Economic Development and Marketing Expense			4,313	42,798			47,111
Accounting and auditing fees					89,147		89,147
Consultants and contractors		187,679	114,912	32,953	12,861		348,405
Dues, membership and subscriptions		1,350	1,476		14,547		17,373
Insurance					16,152		16,152
Interest	1,440						1,440
Miscellaneous				100	6,878		6,978
Office supplies	212			265	5,603		6,080
Office equipment					843		843
Postage and delivery				253	1,056		1,309
Printing and reproduction				8,073	2,476		10,640
Rent	91				14,265		14,265
Telephone and internet					3,739		4,326
Travel and meetings	425				3,806		4,231
Total Functional Expenses	\$1,068,192	\$866,887	\$239,930	\$126,116	\$389,786	\$62,050	\$2,752,961

See accompanying notes to financial statements.

MID MARKET COMMUNITY BENEFIT DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	(\$74,271)
Depreciation expense	19,853
Adjustments to reconcile support and revenue over expenses to net cash provided (used) by operating activities:	
Increase/decrease in:	
Accounts receivable	(97,938)
Accounts payable	(35,687)
Accrued expenses	(66,944)
Deferred revenue	<u>(127,314)</u>
Total adjustments	<u>(327,883)</u>
Net cash (used) by operating activities	<u>(382,301)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments made on capital loans	<u>(19,105)</u>
Net cash (used) by financing activities	<u>(19,105)</u>

CASH FLOWS FROM CAPITAL ACTIVITIES:

Capital asset additions	<u>(2,635)</u>
Net cash (used) by capital activities	<u>(2,635)</u>
Net decrease in cash	(404,041)
Cash and cash equivalents, beginning of year	<u>3,167,986</u>
Cash and cash equivalents, end of year	<u><u>\$2,763,945</u></u>

Cash and cash equivalents as presented on the Statement of Financial Position:

Cash and cash equivalents	\$1,719,931
Cash designated for contingencies and reserve	<u>1,044,014</u>
Total Cash and Cash Equivalents	<u><u>\$2,763,945</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Property taxes paid	\$898
Interest paid	\$1,614
Non-cash activities: In-kind contributions	\$3,995

See accompanying notes to financial statements.

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2023

NOTE 1 – ORGANIZATION AND PROGRAMS

A. Reporting Entity

Mid Market Community Benefit District (District), formally known as Central Market Community Benefit Corporation, is a California nonprofit, community-based organization incorporated in February 2007, to provide programs and services to improve the overall cleanliness, safety and economic development of the District in San Francisco, California.

Funding is provided primarily from special assessments collected from every property owner in the district through the City and County of San Francisco. The annual budget for MMCBD is allocated into the following spending categories: 28.7% cleaning and maintenance, 35.2% public safety, 24.6% management and economic development and 11.5% contingency.

B. Programs and Activities

Cleaning and Maintenance – MMCBD public realm services include: graffiti abatement, sidewalk sweeping and pressure washing, landscape maintenance and reporting of issues to the Department of Public Works.

Public Safety – MMCBD’s Community Ambassador program provides way-finding assistance, social service outreach and serves as eyes and ears on the street deterring and reporting crime. MMCBD may also from time to time provide a uniformed SFPD 10b Police Officer to support MMCBD field personnel. 10b Officers work alongside MMCBD staff and vendors to address crime and quality of life issues within the neighborhood.

Management and Economic Development – Management oversees the MMCBD’s operations and advocates for more responsive City services. Economic development efforts support District business attraction, retention and expansion; and marketing and special events that enhance District awareness and vitality.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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). The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC), No. 958, *Financial Statements of Not-for-Profit Organizations*.

MMCBD reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets available for use in general operations that are not subject to or are no longer subject to donor-imposed restrictions.

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose 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.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

B. *Receivables*

MMCBD considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

C. *Property and Equipment*

Property and equipment acquisitions are recorded at cost or, if donated, at their estimated fair value at date of donation. Property and equipment with a useful life of more than one year and an acquisition cost of \$2,500 or more is capitalized. Depreciation is computed over the estimated useful lives of the respective assets, ranging from 2 to 3 years for furniture and equipment, on a straight-line basis. Expenses for maintenance, repairs and minor renewals are charged against operations as incurred.

As of December 31, 2023, MMCBD’s property and equipment consists of three pressure washers and a vehicle (as discussed in Note 6) and a laptop recorded at a total cost of \$84,227, less accumulated depreciation of \$65,907, for a net book value of \$18,370.

Depreciation expense for the year ended December 31, 2023 was \$19,853.

D. *Deferred Revenue*

As of December 31, 2023, deferred revenue consisted of the following:

Property Assessments	\$1,006,273
Silicon Valley Community Foundation - Security Grant	296,164
Total Deferred Revenue	\$1,302,437

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. In-Kind Contributions

During 2023, MMCBD received in-kind contributions for advertising services, recorded using Level 1 fair value inputs, with a value of \$3,995.

F. Lease Accounting

MMCBD recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of the existing contract are changed. As of December 31, 2023, MMCBD did not have any significant leases that should be recorded on the Statement of Financial Position, other than its capital leases (see Note 6).

G. Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on management's estimates. Direct costs are allocated to Assessment and Non-Assessment Programs, or Management and General. A portion of Personnel Costs have been allocated to Fundraising based on management's estimate of time spent on general fundraising efforts.

H. Advertising

MMCBD follows the policy of expensing advertising costs as incurred.

I. Statement of Cash Flows

For purposes of the statement of cash flows, MMCBD considers all highly liquid debt investments purchased with an initial maturity of three months or less to be cash equivalents.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Fair Value Measurements

MMCBD reports certain assets and liabilities at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, the district develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

L. Income Taxes

MMCBD is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the MMCBD qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The MMCBD paid no taxes on unrelated business income for the year ended December 31, 2023.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that MMCBD does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the MMCBD's tax returns will not be challenged by the taxing authorities and that the MMCBD will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, MMCBD's tax returns remain open for federal income tax examination for three years from the date of filing.

M. Subsequent Events

MMCBD evaluated subsequent events for recognition and disclosure through June 26, 2024, the date which these financial statements were available to be issued.

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2023

NOTE 3 – CASH AND CASH EQUIVALENTS

MMCBD's cash and cash equivalents of \$2,763,945 are comprised of cash in banks and money market accounts, which are insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 for each account, and are reported using the Level 1 fair value measurement. At December 31, 2023, MMCBD had a balance of \$2,264,036 that was in excess of FDIC insurance. MMCBD has not experienced any losses in such accounts. Management believes MMCBD is not exposed to any significant risk related to the security of its cash.

Of the \$2,763,945 balance of cash and cash equivalents, \$1,044,014 has been set aside as designated for contingencies and reserve, in accordance with the District's management plan with the City and County of San Francisco

NOTE 4 – RETIREMENT PLAN

MMCBD sponsors a defined contribution plan for its full-time employees. MMCBD contributed \$21,397 to the plan during the year ended December 31, 2023.

NOTE 5 – ASSESSMENT REVENUE

MMCBD receives assessment revenues from the San Francisco City and County on behalf of members in the assessment district as a part of the County tax roll. Conversely, the MMCBD does not have control over unpaid assessments. The City and County may not be able to collect on unpaid assessments. As such, revenue is only recorded when received. As of December 31, 2023, MMCBD has yet to receive \$16,244 in past due assessments from District property owners for 2023.

NOTE 6 – CAPITAL LEASES

As part of the agreement for services between MMCBD and Streetplus Company, LLC (Streetplus), Streetplus purchases equipment necessary to perform cleaning and maintenance of MMCBD's area. The equipment is exclusively used for MMCBD, and at the end of the agreement, the equipment will be owned by MMCBD.

In June 2020, Streetplus purchased two pressure washers in the amount of \$40,995 and is leasing them to MMCBD. The lease bears interest at 19.53%, and is payable in monthly installments of \$1,266, including both principal and interest, commencing June 30, 2020 through May 31, 2023. During 2023, MMCBD made lease payments totaling \$6,329, including principal of \$6,225 and interest of \$104. On May 31, 2023, the District made the final lease payment.

In February 2022, Streetplus purchased a pressure washer in the amount of \$16,154 and is leasing it to MMCBD. The lease bears interest at 6.00%, and is payable in monthly installments of \$491, including both principal and interest, commencing March 1, 2022 through February 1, 2025. During 2023, MMCBD made lease payments totaling \$5,897, including principal of \$5,325 and interest of \$572. As of December 31, 2023, the principal balance of the lease was \$6,626.

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2023

NOTE 6 – CAPITAL LEASES (Continued)

In April 2022, Streetplus purchased a vehicle in the amount of \$23,266 and is leasing it to MMCBD. The lease bears interest at 6.00%, and is payable in monthly installments of \$708, including both principal and interest, commencing June 1, 2022 through May 1, 2025. During 2023, MMCBD made lease payments totaling \$8,494, including principal of \$7,555 and interest of \$938. As of December 31, 2023, the principal balance of the loan is \$11,511.

Future lease principal payments for all three leases are as follows:

	Pressure Washer	Vehicle	Total
2024	\$5,653	\$8,021	\$13,674
2025	973	3,490	4,463
	\$6,626	\$11,511	\$18,137

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following at December 31, 2023:

Total current financial assets:	
Cash and cash equivalents	\$2,763,945
Accounts receivable	196,664
	2,960,609
Amount set aside for contingencies and reserves	(1,044,014)
	\$1,916,595
	\$1,916,595