

**MID MARKET COMMUNITY BENEFIT DISTRICT  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**MID MARKET COMMUNITY BENEFIT DISTRICT**

**Financial Statements  
For the Year Ended December 31, 2022**

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**MID MARKET COMMUNITY BENEFIT DISTRICT**

**DECEMBER 31, 2022**

**BOARD OF DIRECTORS**

Chris Callandrillo  
Philip Gerrie  
David Harrison  
Mia Kautovaara  
Jeannie Kim  
Kristie Lober  
Dipak Patel  
Jim Sangiacomo  
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, 2022, 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, 2022, 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  
August 11, 2023

**MID MARKET COMMUNITY BENEFIT DISTRICT**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2022**

ASSETS

Current Assets:	
Cash and cash equivalents (Note 3)	\$2,178,972
Cash designated for contingencies and reserve (Note 3)	989,014
Account receivable (Note 2B)	98,726
Security deposits and other	<u>2,115</u>
Total Current Assets	<u>3,268,827</u>
Non Current Assets:	
Property and equipment, net of accumulated depreciation of \$46,054 (Note 2C)	<u>34,362</u>
Total Non Current Assets	<u>34,362</u>
Total Assets	<u>3,303,189</u>

LIABILITIES

Current Liabilities:	
Accounts payable	213,248
Accrued expenses	128,293
Deferred revenue (Note 2D)	<u>1,429,751</u>
Total Current Liabilities	<u>1,771,292</u>
Non Current Liabilities:	
Loans payable (Note 6A)	<u>36,016</u>
Total Non Current Liabilities	<u>36,016</u>
Total Liabilities	<u>1,807,308</u>

NET ASSETS (Note 2A)

Without donor restrictions	<u>1,495,881</u>
Total Net Assets	<u><u>\$1,495,881</u></u>

See accompanying notes to financial statements.

**MID MARKET COMMUNITY BENEFIT DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2022**

**CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:**

Support and Revenues

Local property assessments (Note 5)	\$1,722,753
General Benefit Non-Assessment Revenue:	
Grants	142,047
Fees for Service	626,117
Contributions and Other	2,300
In-kind contributions (Note 2E)	18,648
Interest Income	3,181
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Total Support and Revenues	2,515,046
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Expenses

Program services:	
Public Safety, Cleaning and Maintenance	1,041,018
General Benefit Non-Assessment Expenses	788,435
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Sub-total Program services	1,829,453
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Support services:	
Marketing and Promotions	63,630
Economic Development	65,857
Management and General	359,501
Fundraising	48,079
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Sub-total Support services	537,067
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Total Expenses	2,366,520
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Change in Net Assets	148,526
Net Assets, Beginning of Year	1,347,355
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Net Assets, End of Year	\$1,495,881
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See accompanying notes to financial statements.



**MID MARKET COMMUNITY BENEFIT DISTRICT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2022**

	Program Services		Supporting Services				Total
	Public Safety, Cleaning and Maintenance	Non- Assessment	Marketing and Promotions	Economic Development	Management and General	Fundraising	
<b>FUNCTIONAL EXPENSES</b>							
Personnel Costs:							
Salaries		\$455,812	\$47,101	\$50,000	\$177,210	\$38,552	\$768,675
Payroll taxes		37,808			14,477	2,529	54,814
Health and other fringe benefits		82,553			37,193	5,553	125,299
Worker's compensation		9,115			1,877	532	11,524
Payroll fees		14,202			4,673	913	19,788
Subtotal Personnel Costs		599,490	47,101	50,000	235,430	48,079	980,100
Public Safety	550,135	12,245					562,380
Cleaning and maintenance	486,244	10,753					496,997
Economic Development and Marketing:							
Economic development				15,314			15,314
Marketing and promotion			9,519				9,519
Subtotal Economic Development and Marketing Expense			9,519	15,314			24,833
Accounting and auditing fees					68,895		68,895
Consultants and contractors		163,847			4,282		168,129
Dues, membership and subscriptions		2,100	584		9,165		11,849
Insurance					14,866		14,866
Interest	2,610						2,610
In-kind							-
Legal					1,425		1,425
Miscellaneous	64				1,651		1,715
Office supplies	1,030				3,209		4,239
Office equipment					1,087		1,087
Postage and delivery	543		543	543	82		1,711
Printing and reproduction	137		2,336		4,739		7,212
Rent					11,428		11,428
Telephone and internet					(292)		(292)
Travel and meetings	255		3,547		3,534		7,336
Contingency & Reserve- Other							
<b>Total Functional Expenses</b>	<b>\$1,041,018</b>	<b>\$788,435</b>	<b>\$63,630</b>	<b>\$65,857</b>	<b>\$359,501</b>	<b>\$48,079</b>	<b>\$2,366,520</b>

See accompanying notes to financial statements.

**MID MARKET COMMUNITY BENEFIT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$148,526
Depreciation expense	24,417
Adjustments to reconcile support and revenue over expenses to net cash provided (used) by operating activities:	
Increase/decrease in:	
Accounts receivable	18,188
Security deposits and other	(2,115)
Accounts payable	103,589
Accrued expenses	(15,583)
Deferred revenue	<u>(83,025)</u>
Total adjustments	<u>21,054</u>
Net cash (used) by operating activities	<u>193,997</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Capital lease additions	39,420
Principal payments made on capital loan	<u>(23,872)</u>
Net cash (used) by financing activities	<u>15,548</u>

CASH FLOWS FROM CAPITAL ACTIVITIES:

Capital asset additions	<u>(39,420)</u>
Net cash provided by capital activities	<u>(39,420)</u>

Net decrease in cash	170,125
Cash and cash equivalents, beginning of year	<u>2,997,861</u>
Cash and cash equivalents, end of year	<u><u>\$3,167,986</u></u>

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

Cash and cash equivalents	\$2,178,972
Cash designated for contingencies and reserve	<u>989,014</u>
Total Cash and Cash Equivalents	<u><u>\$3,167,986</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Property taxes paid	\$471
Interest paid	\$2,610
Non-cash activities: In-kind contributions	\$18,648

See accompanying notes to financial statements.

**MID MARKET COMMUNITY BENEFIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended December 31, 2022**

**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, 2022**

**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, 2022, MMCBD’s property and equipment consists of three pressure washers and a vehicle (as discussed in Note 6) recorded at a total cost of \$80,416, less accumulated depreciation of \$46,054, for a net book value of \$34,362.

Depreciation expense for the year ended December 31, 2022 was \$24,418.

**D. *Deferred Revenue***

As of December 31, 2022, deferred revenue consisted of the following:

Property Assessments	\$994,563
Silicon Valley Community Foundation - Security Grant	<u>435,188</u>
Total Deferred Revenue	<u><u>\$1,429,751</u></u>

**MID MARKET COMMUNITY BENEFIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended December 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. In-Kind Contributions***

During 2022, MMCBD received in-kind contributions from a neighboring community benefit district for Big Belly cans, recorded using Level 1 fair value inputs, with a value of \$18,648.

***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, 2022, 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, 2022**

**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, 2022.

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 August 11, 2023, 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, 2022**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

MMCBD's cash and cash equivalents of \$3,167,986 are comprised of cash in banks, which is insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 for each account, and is reported using the Level 1 fair value measurement. At December 31, 2022, MMCBD had a balance of \$1,117,509 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 \$3,167,986 balance of cash and cash equivalents, \$989,014 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 \$17,792 to the plan during the year ended December 31, 2022.

**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, 2022, MMCBD has yet to receive \$23,320 in past due assessments from District property owners for 2022.

**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 2022, MMCBD made lease payments totaling \$15,190, including principal of \$14,242 and interest of \$948. As of December 31, 2022, the principal balance of the lease was \$6,225.

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 2022, MMCBD made lease payments totaling \$4,914, including principal of \$4,200 and interest of \$714. As of December 31, 2022, the principal balance of the lease was \$11,941.

**MID MARKET COMMUNITY BENEFIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended December 31, 2022**

**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 2022, MMCBD made lease payments totaling \$4,595, including principal of \$4,203 and interest of \$752. As of December 31, 2022, the principal balance of the loan is \$17,850.

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

	Pressure Washers	Pressure Washer	2022 Vehicle	Total
2023	\$6,225	\$5,325	\$7,555	\$19,105
2024		5,653	8,021	13,674
2025		963	2,274	3,237
	\$6,225	\$11,941	\$17,850	\$36,016

**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, 2022:

Total current financial assets:	
Cash and cash equivalents	\$3,167,986
Accounts receivable	98,726
Total current financial assets	3,266,712
Amount set aside for contingencies and reserves	(989,014)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$2,277,698