



FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

DOWNTOWN COMMUNITY BENEFIT DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Downtown Community Benefit District

Opinion

We have audited the financial statements of Downtown Community Benefit District, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Downtown Community Benefit District as of June 30, 2022, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Downtown Community Benefit 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 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 Downtown Community Benefit District's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Downtown Community Benefit 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 Downtown Community Benefit 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Downtown Community Benefit District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
September 21, 2022

DOWNTOWN COMMUNITY BENEFIT DISTRICT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 3,193,554	\$ 6,169,375
Assessments receivable	7,120	21,931
Other receivables	4,771	1,913
Prepaid expenses and other assets	79,437	64,136
Investments	2,500,555	--
Capital assets, net	<u>46,575</u>	<u>37,299</u>
Total Assets	<u>\$ 5,832,012</u>	<u>\$ 6,294,654</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 297,600	\$ 320,333
Accrued salaries and benefits	12,119	8,627
Other liabilities	44,000	44,000
Deferred rent	<u>27,649</u>	<u>17,888</u>
Total Liabilities	381,368	390,848
Net Assets Without Donor Restrictions	<u>5,450,644</u>	<u>5,903,806</u>
Total Liabilities and Net Assets	<u>\$ 5,832,012</u>	<u>\$ 6,294,654</u>

The accompanying notes are an integral part of these financial statements.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	2022	2021
Revenue and Other Support		
Assessments revenue	\$ 4,007,036	\$ 4,005,975
Contributions of nonfinancial assets	202,500	15,154
Other income	<u>19,973</u>	<u>4,297</u>
Total Revenue and Other Support	<u>4,229,509</u>	<u>4,025,426</u>
Expenses		
Program services:		
Civil Sidewalks and Mobility Management	2,512,386	1,083,784
District Identity, Marketing, and Space	1,399,421	229,248
Supporting services:		
Management and general	<u>770,864</u>	<u>339,157</u>
Total Expenses	<u>4,682,671</u>	<u>1,652,189</u>
Change in Net Assets	(453,162)	2,373,237
Net Assets Without Donor Restrictions - Beginning	<u>5,903,806</u>	<u>3,530,569</u>
Net Assets Without Donor Restrictions - Ending	<u>\$ 5,450,644</u>	<u>\$ 5,903,806</u>

The accompanying notes are an integral part of these financial statements.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

	Program Services			Supporting Services		Totals	
	Civil Sidewalks and Mobility Management	District Identity, Marketing, and Space	Total	Management and General	2022	2021	
Contract services	\$ 2,240,834	\$ 2,616	\$ 2,243,450	\$ --	\$ 2,243,450	\$ 918,916	
Marketing and promotion	33,052	1,019,647	1,052,699	4,368	1,057,067	144,024	
Marketing and promotion - in-kind	--	202,500	202,500	--	202,500	--	
Management personnel expenses	220,191	85,605	305,796	327,834	633,630	321,092	
Accounting and audit	--	--	--	117,833	117,833	87,594	
Rent and utilities	--	198	198	110,319	110,517	37,342	
Strategic plan	--	--	--	76,000	76,000	--	
General consulting	--	51,000	51,000	9,500	60,500	6,761	
Office expense and supplies	1,695	5,765	7,460	46,915	54,375	13,920	
Legal fees	10,461	319	10,780	22,169	32,949	89,201	
Photography and video	--	22,595	22,595	--	22,595	7,400	
Insurance	--	--	--	18,823	18,823	15,667	
Dues and subscriptions	1,700	--	1,700	11,805	13,505	5,443	
All other expenses	2,603	1,200	3,803	9,178	12,981	3,577	
Conferences and conventions	--	995	995	9,854	10,849	--	
Depreciation	1,850	--	1,850	6,266	8,116	1,252	
Events and fundraising	--	6,981	6,981	--	6,981	--	
Total	\$ 2,512,386	\$ 1,399,421	\$ 3,911,807	\$ 770,864	\$ 4,682,671	\$ 1,652,189	

The accompanying notes are an integral part of these financial statements.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (453,162)	\$ 2,373,237
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	8,116	1,252
Loss on sale of capital assets	1,603	--
Changes in operating assets and liabilities:		
Assessments receivable	14,811	(2,061)
Other receivables	(2,858)	580
Prepaid expenses and other assets	(15,301)	(60,620)
Accounts payable and accrued expenses	(22,733)	187,892
Accrued salaries and benefits	3,492	(18,668)
Deferred rent	<u>9,761</u>	<u>17,888</u>
Net Cash (Used in) Provided by Operating Activities	<u>(456,271)</u>	<u>2,499,500</u>
Cash Flows From Investing Activities		
Purchase of investments	(2,500,555)	--
Purchase of capital assets	(21,695)	(38,551)
Proceeds from sale of capital assets	<u>2,700</u>	<u>--</u>
Net Cash Used in Investing Activities	<u>(2,519,550)</u>	<u>(38,551)</u>
Net (Decrease) Increase in Cash	(2,975,821)	2,460,949
Cash - Beginning	<u>6,169,375</u>	<u>3,708,426</u>
Cash - Ending	<u>\$ 3,193,554</u>	<u>\$ 6,169,375</u>

The accompanying notes are an integral part of these financial statements.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

Downtown Community Benefit District (“DCBD” or the “District”) is a qualified, Internal Revenue Code (“IRC”) §501(c)(3) community-based organization. DCBD was formed in 2019 and began operations in 2020. The property owners of the catchment area formed DCBD to improve the quality of life in the area by making the area cleaner, safer, and more vibrant. DCBD has a contract with the City and County of San Francisco (the “City”) for a term of 15 years, expiring on June 30, 2034. DCBD’s catchment area is generally 43 whole or partial blocks from the Embarcadero to the eastside of Kearny Street, properties along the south side of Market Street through the eastside of 2nd Street. The northernmost points of the District are near Montgomery Street and Pacific Avenue.

DCBD exists to implement programs to create a neighborhood that is safer, cleaner, greener, and a better place to conduct business and live. These programs and services are funded by district property owners in the Financial District and Jackson Square.

DCBD’s mission statement is as follows:

Improve district vitality through best-in-class clean and safe programming, infrastructure enhancements, dynamic partnerships and productive marketing.

Program services provided include:

- **Cleaning Services** – Cleaning services are offered daily from 6 am – 5 pm. Cleaning Ambassadors perform pan and broom sidewalk sweeps, remove trash and debris, scrub and clean spills, graffiti abatement, clean hazardous waste, and power wash sidewalks.
- **Safety Services** – Safety Ambassadors are visible and engaged members of the team and primarily observe, advise, and report quality of life issues throughout the Financial District and Jackson Square. They operate 6 am – 8 pm daily. Safety coverage is daily from 6 am – 7 pm. The District also funds an outreach worker through a non-profit partner to provide resources to those experiencing homelessness on the streets.
- **Mobility Management** – The District partners with the City and regional transportation agencies to advocate for traffic control officers, public transportation and micro mobility projects and ridership usage.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PURPOSE AND ORGANIZATION (CONTINUED)

- **Public Realm & Beautification** – The District has developed a comprehensive Public Realm Action Plan to reimagine Downtown SF with concepts and strategies to create new public spaces and revitalize existing spaces and alleys with murals, lighting, greening, seating, and on-going activation and events.
- **Marketing & Promotion** – DCBD manages a website, social media channels, and publishes a regular e-newsletter to engage with property owners and managers, businesses, community stakeholders and visitors.

BASIS OF ACCOUNTING

DCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred, regardless of the timing of cash flows.

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that DCBD report information regarding its financial position and activities into two classes of net assets: without donor restrictions and with donor restrictions.

Accordingly, the net assets are classified and reported as described below:

Without Donor Restrictions

Those net assets and activities which represent the portion of expendable funds that are available to support DCBD’s operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

With Donor Restrictions

Net assets representing funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be expendable in nature in that they will be met by actions of DCBD or by the passage of time. Other donor restrictions are permanent in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. At June 30, 2022, there were no net assets with donor restrictions.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

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. The carrying amounts of cash, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

CASH

Cash is defined as cash in demand deposit accounts as well as cash on hand. DCBD considers all financial instruments with a maturity of three months or less when purchased to be cash equivalents. As of June 30, 2022, DCBD did not have any cash equivalents.

ASSESSMENTS RECEIVABLE

Assessments receivable represent obligations of local property owners due to DCBD. Unpaid assessments do not accrue interest.

DCBD uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on an evaluation of the outstanding receivables. As of June 30, 2022, management believes all assessments will be collected, and therefore, an allowance for uncollectible assessments is not required.

CAPITAL ASSETS

DCBD capitalizes acquisitions of capital assets with a cost or value in excess of \$2,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost and donated assets are recorded at estimated fair value or appraised value at the date of donation. Depreciation of capital assets is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 15 years. Leasehold improvements are amortized using the straight-line method over the shorter of the asset's life or the lease term. Maintenance and repairs are charged to expense as incurred and major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCRUED VACATION

Full-time employees may accrue up to 4 or 5 weeks per year depending on the number of years employed and their position. Part-time employees working more than 25 hours per week accrue vacation on a prorated basis. Employees can accrue a maximum of 180 vacation hours and are entitled to payment of any unused time upon separation of service.

REVENUE RECOGNITION

Assessments Revenue

DCBD receives its revenue primarily from special assessments levied by the City on properties located within the District in accordance with City Ordinance. The assessments are recorded by DCBD when earned. The City remits the assessments to DCBD as the assessments are collected from the property owners. Interest is not charged on late assessments; however, late penalties are charged in accordance with the City's policy.

Contributions

DCBD recognizes all unconditional contributions when they are received or unconditionally promised. Contributions are recognized based on the existence or absence of donor-imposed restrictions.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

Contributions of Nonfinancial Assets

Donated material and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as without donor restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as with donor restrictions support. Absent donor stipulations regarding how long those donated assets must be maintained, DCBD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. DCBD reclassifies net asset with donor restrictions to net assets without donor restrictions at that time.

DCBD records contributions of nonfinancial assets for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Contributions of Nonfinancial Assets (Continued)

For the year ended June 30, 2022, DCBD received contributed services in the amount of \$202,500. Contributed services recognized comprise of professional services for marketing and promotion. The estimated fair value of professional services was provided by each service provider, who estimated the fair value based on the date, time, and market in which the services were rendered. Contributed nonfinancial assets did not have donor-imposed restrictions.

INCOME TAXES

DCBD is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the IRC and §23701d of the California Revenue and Taxation Code, respectively.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if DCBD has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. DCBD is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

CONCENTRATIONS OF RISK

Financial Instruments

Financial instruments which potentially subject DCBD to concentrations of credit risk consist principally of cash. DCBD maintains its cash in various bank accounts which, at times, may exceed federally insured limits. DCBD has not experienced any losses in such accounts.

Service Providers

Approximately 40% of total expenses incurred during the year ended June 30, 2022, were attributed to clean and safety contract services provided by one vendor. Approximately 10% of total expenses incurred during the year ended June 30, 2022, were attributed to marketing and promotion services provided by one vendor. Management believes that DCBD is not exposed to any significant risk related to these concentrations.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS OF RISK (CONTINUED)

Revenue

For the year ended June 30, 2022, DCBD received 95% of its total income from the City in the form of assessments.

Contributions

For the year ended June 30, 2022, two donors represented 94% of total in-kind contributions.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited based on an analysis of personnel time by each program or activity.

FUNDRAISING REQUIREMENT

The City's contract requires that DCBD annually raise 3.20% of its budget from sources other than the City's assessments. For the year ended June 30, 2022, DCBD has satisfied this requirement.

ADOPTED ACCOUNTING PRONOUNCEMENTS

On September 17, 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 provides guidance concerning presentation and disclosure for contributed nonfinancial assets for nonprofit organizations, including additional presentation and disclosure rules for recognized contributed services. It does not change the recognition and measurement requirements for contributed nonfinancial assets.

This ASU requires the nonprofit organization to present donated nonfinancial assets separately in the statement of activities and changes in net assets from contributions of cash or other financial assets. The additional disclosure rules require disclosure of nonfinancial assets by category and for each category the disclosure is required to include the following:

- Qualitative information about whether contributed nonfinancial assets were either monetized or used during the reporting period. If used, a description of the programs or other activities in which those assets were used;

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- The nonprofit organization's policy (if any) for monetizing rather than using contributed nonfinancial assets;
- A description of any associated donor-imposed restrictions;
- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition;
- The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the recipient nonprofit is prohibited by donor-imposed restrictions from selling or using the contributed nonfinancial asset.

The guidance was applied on a retrospective basis. DCBD adopted ASU 2020-07 as of July 1, 2021. It did not have a significant impact on the financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. This ASU's effective date had two one-year delays and is now effective for fiscal years beginning after December 15, 2021. Early application is permitted. Management is evaluating the impact of this guidance.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The standard is effective for fiscal years beginning after December 31, 2022. Early adoption is permitted. Management is evaluating the impact of this new guidance and believes it will not have a material impact.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - FAIR VALUE MEASUREMENTS

DCBD's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement.

The levels of the fair value hierarchy are as follows:

Level 1

Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities from those willing to trade in markets that are not active, or other inputs that are derived principally from or corroborated by observable market data by correlation or other means for the term of the instrument. If the asset or liability has a specified (contractual) term, the Level 2 must be observable for substantially the full term of the asset or liability.

Level 3

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect DCBD's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used during the year ended June 30, 2022.

Certificates of Deposit

Certificates of deposit are valued at cost plus accrued interest which approximates fair value.

The following table summarizes DCBD's investments measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ --	\$ 2,500,555	\$ --	\$ 2,500,555

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 - CAPITAL ASSETS

Capital assets at June 30, 2022, consist of the following:

Computers	\$ 13,568
Furniture and equipment	35,992
Leasehold improvements	<u>5,521</u>
	55,081
Less: accumulated depreciation	<u>(8,506)</u>
Total	<u><u>\$ 46,575</u></u>

Depreciation expense for the year ended June 30, 2022, was \$8,116.

NOTE 4 - OTHER LIABILITIES

Prior to its formation, DCBD received funds from various property owners to be used to pay startup costs. The total funds received was \$89,500. It was understood and documented in the Steering Committee minutes that these funds were to be repaid once DCBD was formed and tax-exempt status was attained. In accordance with the agreement with the City, the startup costs are to be repaid with non-assessment funds, of which DCBD has \$89,500 remaining to raise. During the period from January 31, 2020 (inception) to June 30, 2020, DCBD repaid \$45,500, leaving a liability balance of \$44,000.

NOTE 5 - RETIREMENT PLAN

DCBD maintains the Downtown Community Benefit District 401(k) Plan (the "Plan"), a defined contribution plan, which is qualified under §401(k) of the IRC and is subject to the provisions of the Employee Retirement Income Security Act of 1974. Eligible employees may make voluntary contributions through payroll withholdings, up to the limit allowed by law. The Plan includes automatic enrollment at a 1% default contribution rate unless the eligible employee selects an alternative contribution rate or opts out. DCBD may make discretionary employer contributions. Benefits under the Plan are fully vested upon contribution.

Total employer contributions made to the Plan by DCBD during the year ended June 30, 2022, were \$5,791.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 - COMMITMENTS

DCBD entered into a lease agreement for office space commencing May 1, 2021. The lease includes annual increases and expires on July 30, 2026.

The following is a schedule of the future minimum lease commitments:

For the Years Ending	Amount
June 30,	
2023	\$ 107,200
2024	110,416
2025	113,729
2026	117,140
2027	10,005
Total	\$ 458,490

Rent expense for the year ended June 30, 2022, was \$105,209.

NOTE 7 - RELATED PARTY TRANSACTIONS

Members of DCBD's Board of Directors and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with DCBD. DCBD requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with DCBD. These annual disclosures cover the Board of Directors, senior management, and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of DCBD. DCBD has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors may participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether DCBD does business with an entity in which a board member has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of DCBD, and in accordance with applicable conflict of interest laws.

A member of DCBD's Board of Directors is the general manager of the building where DCBD currently leases its office space. See Note 6.

DOWNTOWN COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - LIQUIDITY AND FINANCIAL RESOURCES

DCBD's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2022, were as follows:

Financial Assets

Cash	\$ 3,193,554
Investments	2,500,555
Assessments receivable	<u>7,120</u>

Financial Assets Available to Meet General Expenditures Within One Year

\$ 5,701,229

DCBD's primary source of revenue is assessments. DCBD's cash flows have variations during the year as the assessments collected and paid to DCBD by the City are primarily paid in two payments in January and May. DCBD's goal is generally to maintain financial assets to meet 180 days of operating expenses. As part of its liquidity and availability plan, excess cash will be invested in short-term investments, including money market accounts and certificates of deposits.

NOTE 9 - RISK AND UNCERTAINTY

The global economy has been impacted by global events such as the outbreak of the COVID-19 virus and international conflicts. This has resulted in many businesses temporarily closing or working in remote environments. DCBD continues to operate in both an in-person and remote environment. DCBD does not yet know the full extent of the potential impact, if any, these events may have on its business operations. No specific material adverse matters have been identified or estimable. DCBD will continue to monitor the impact of global events closely and revise its estimates in future periods, as necessary.

NOTE 10 - SUBSEQUENT EVENTS

DCBD has evaluated all subsequent events through September 21, 2022, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.