

**SOMA WEST COMMUNITY BENEFIT DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2022**

**SOMA WEST COMMUNITY BENEFIT DISTRICT**  
**Financial Statements**  
**For the Year Ended June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
SoMa West Community Benefit District  
San Francisco, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of SoMa West Community Benefit District (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 SoMa West Community Benefit District as of June 30, 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 Opinions*

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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *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; 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.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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### ***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 and *Government 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 and *Government 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 Organization'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 Organization'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.

#### **Emphasis of a Matter – Prior Period Reclassification**

As discussed in Note 2P, as of July 1, 2021, \$575,138 of beginning net assets was reclassified from With Donor Restrictions to Without Donor Restrictions. Net assets in total was not changed.

The emphasis of this matter does not constitute a change in our opinion.

## **Report on Summarized Comparative Information**

We have previously audited the SoMa West Community Benefit District's 2021 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 15, 2021. In our opinion, the summarized comparative information as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it is derived.

*Mazze & Associates*

Pleasant Hill, California  
February 21, 2023

SOMA WEST COMMUNITY BENEFIT DISTRICT  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2022  
WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2021

ASSETS	2022	2021
Current Assets:		
Cash and cash equivalents (Note 2B)	\$2,381,193	\$2,266,649
Assessments receivable (Note 2C)	833,276	575,371
Prepaid expenses (Note 2D)	129,346	115,855
Total Current Assets	3,343,815	2,957,875
Non-Current Assets:		
Property and equipment, net (Note 3)	310,227	254,388
Total Assets	\$3,654,042	\$3,212,263
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$244,603	\$176,737
Accrued expenses	72,633	111,265
Total Liabilities	317,236	288,002
Net Assets (Note 2A):		
Without donor restrictions	3,336,806	2,924,261
Total Net Assets	3,336,806	2,924,261
Total Liabilities and Net Assets	\$3,654,042	\$3,212,263

See accompanying notes to financial statements.

SOMA WEST COMMUNITY BENEFIT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022  
WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	Totals	
		2022	2021
Support and Revenue:			
Assessments (Note 2F)	\$3,990,037	\$3,990,037	\$3,867,763
Grants			213,500
Contributions (Note 2G)	24,788	24,788	33,720
Net investment income	508	508	446
Net assets released from restrictions			
Total Support and Revenue	<u>4,015,333</u>	<u>4,015,333</u>	<u>4,115,429</u>
Expenses:			
Program Services	3,216,587	3,216,587	2,918,272
Management and General	363,404	363,404	343,711
Fundraising	22,797	22,797	14,635
Total Expenses	<u>3,602,788</u>	<u>3,602,788</u>	<u>3,276,618</u>
Changes in Net Assets	412,545	412,545	838,811
Net Assets, Beginning of Year, as Restated (Note 2P)	<u>2,924,261</u>	<u>2,924,261</u>	<u>2,085,450</u>
Net Assets, End of Year	<u>\$3,336,806</u>	<u>\$3,336,806</u>	<u>\$2,924,261</u>

See accompanying notes to financial statements.

SOMA WEST COMMUNITY BENEFIT DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022  
WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services		Totals	
	Clean, Safe & Beautiful	Marketing & Advocacy	Total	Management and General	Fundraising	2022	2021
Salaries and wages	\$1,443,069	\$126,364	\$1,569,433	\$108,036	\$5,915	\$1,683,384	\$1,491,192
Payroll taxes	107,316	9,274	116,590	7,597	286	124,473	107,801
Fringe benefits	72,080	10,428	82,508	8,047	2,271	92,826	99,996
Grant expense	7,800	5,000	12,800			12,800	4,520
Professional services	385,010	148,306	533,316	105,754	2,826	641,896	475,923
Rent and occupancy	232,816	17,610	250,426	93,896	70	344,392	327,631
Insurance, licenses and fees	179,956	15,394	195,350	14,175	3,519	213,044	199,557
Utilities	138,851	1,145	139,996	7,924	292	148,212	141,803
Equipment and supplies	151,481	3,572	155,053	1,976	80	157,109	132,636
Vehicle expense	41,225		41,225			41,225	36,274
Travel, lodging, meals and conferences	12,591	226	12,817	4,752	51	17,620	6,650
Office expense	32,023	20,169	52,192	8,277	7,455	67,924	181,452
Interest	2,373		2,373			2,373	1,246
Depreciation (Note 3)	49,807	417	50,224	2,014	32	52,270	50,076
Gain on disposal of fixed assets	2,284		2,284	956		3,240	19,861
<b>Total Expenses</b>	<b>\$2,858,682</b>	<b>\$357,905</b>	<b>\$3,216,587</b>	<b>\$363,404</b>	<b>\$22,797</b>	<b>\$3,602,788</b>	<b>\$3,276,618</b>
	79.3%	9.9%	89.3%	10.1%	0.7%	100%	

See accompanying notes to financial statements.



SOMA WEST COMMUNITY BENEFIT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022	2021
Cash flow from operating activities:		
Changes in net assets	\$412,545	\$838,811
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	52,270	50,076
Loss on disposal of fixed assets	3,240	19,861
(Increase) decrease in assets:		
Accounts receivable	(257,905)	(260,481)
Prepaid expenses and other current assets	(13,491)	13,383
Increase (decrease) in liabilities:		
Accounts payable	67,866	62,027
Accrued expenses	(38,632)	44,442
Net cash provided by operating activities	225,893	768,119
Cash flows from investing activities:		
Purchase of fixed assets	(111,349)	(64,687)
Forgiveness of SBA loans	(173,500)	(173,500)
Net cash (used) by investing activities	(111,349)	(238,187)
Net change in cash and cash equivalents	114,544	529,932
Cash and cash equivalents, beginning of year	2,266,649	1,736,717
Cash and cash equivalents, end of year	\$2,381,193	\$2,266,649
Supplemental disclosure of cash flow information:		
Interest paid	\$2,374	\$1,246

See accompanying notes to financial statements.

**SOMA WEST COMMUNITY BENEFIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 1 – ORGANIZATION**

**A. Organization**

The SoMa West Community Benefit District (District) was established on April 9, 2019, pursuant to the California Constitution and the Property and Business Improvement District Law of 1994, as amended and augmented by Article 15 of the San Francisco Business and Tax Regulations Code. The District was formed by property owners, residents, and merchants to improve the safety of people and property within the District, to maintain clean and safe public spaces, to increase building occupancy, to encourage new business development, and to attract ancillary businesses and services for the residents, merchants, property owners, and visitors within the District.

The District consists of approximately 100 whole or partial blocks and approximately 2,700 parcels in the area south of Market Street in San Francisco, California.

**B. Programs**

Programs and services provided by the District include:

***Clean, Safe and Beautiful*** – Cleaning activities include sidewalk cleaning, sweeping, pressure washing, trash collection, and graffiti removal. Safety activities provide security services by bicycle or on foot during certain hours in an effort to prevent, deter, and report illegal activities in public areas within the District. Beautification activities include public space improvement, landscape maintenance, murals and other public art.

***Marketing & Advocacy*** – In an effort to improve the awareness, reputation, and perception of the District the marketing and advocacy activities include destination marketing, branding, events, media relations, advocacy, various emails and communications, and maintain a website.

***Administration*** – Administrative expenses provide the supporting infrastructure enabling operation of the District and the execution of its programs. The District employs professional management and staff. Personnel work with various vendors, donors, and representatives from the City and County of San Francisco. Included are actual or allocated expenses for administrative overhead such as rent, insurance, legal, accounting, office supplies, furniture, equipment, software, postage, printing, utilities, etc.

**SOMA WEST COMMUNITY BENEFIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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*.

The District 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.

***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. As of June 30, 2022 and 2021, there were no net assets with donor restrictions.

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.

**B. *Cash and Cash Equivalents***

The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2022 and 2021, respectively, the District's cash balance consists of deposits with three financial institutions.

**C. *Assessments Receivable***

Assessments receivable represent obligations of local property owners due to the District. Management has determined that all of the assessments receivable are collectable and therefore no allowance for uncollectable assessments receivable is currently necessary.

**D. *Prepays and Deposits***

Prepays and deposits consist of prepaid rent and amounts paid as of year-end that are deferred and will be expensed as costs are incurred.

**SOMA WEST COMMUNITY BENEFIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

***E. Property and Equipment***

The District capitalizes acquisitions of computers with a cost or value in excess of \$1,000, and other assets in excess of \$2,500. Property and equipment are recorded at historical cost if purchased, or if contributed, at fair value at the date of contribution. Depreciation is determined on the straight-line method over the estimated useful lives of the assets ranging from 3-10 years. Expenditures for maintenance and repairs are charged against income as incurred.

***F. Assessment Revenue***

The District receives its support primarily from a voter approved special assessment levied by the City of San Francisco (City) on properties located within the District in accordance with City Ordinance. The assessment is recorded by the District when assessed by the City. The City remits the assessment to the District as the assessments are collected from property owners. Interest is not charged on late assessments, however, late penalties are charged in accordance with the City's policy.

***G. Contributions***

Contributions are recognized when the donor makes a promise to give to the District that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

***H. Donated Materials and Supplies***

Donated materials and supplies are recorded as contributions at their estimated fair value on the date of receipts. Such donations are reported as without donor restrictions 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.

***I. Functional Allocation of Expenses***

The District allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect costs are allocated among program and support services on an appropriate basis such as area, volume, mass, time or headcount.

***J. Income Taxes***

The District 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 District qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as a District that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The District paid no taxes on unrelated business income in the years ended June 30, 2022 and 2021, respectively.

**SOMA WEST COMMUNITY BENEFIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

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 District's tax returns. Management has determined that the District does not have any uncertain tax positions and associated unrecognized benefits. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the District's tax returns will not be challenged by the taxing authorities and that the District will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the District's tax returns remain open for federal income tax examination for three years from the date of filing.

***K. Concentration of Credit Risk***

The District maintains its cash in bank accounts which, at times, may exceed the FDIC insured limits. The District has not experienced losses in any of these accounts and management believes the District is not exposed to any significant credit risk related to these accounts.

***L. Use of Estimates***

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

***M. Advertising Costs***

Advertising costs, if any, are expensed as incurred.

***N. Fair Value Measurements***

The District 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.

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.

**SOMA WEST COMMUNITY BENEFIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

***O. Prior Year Totals***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the SoMa West Community Benefit District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

***P. Reclassification***

Certain reclassifications have been made to the prior year's comparative information to conform to the presentation of the current financial statements. The reclassifications have no effect on the total change in net assets for the prior year, however, \$575,138 of beginning net assets as of July 1, 2021 was reclassified from With Donor Restrictions to Without Donor Restrictions.

***Q. Subsequent Events***

The SoMa West Community Benefit District evaluated subsequent events for recognition and disclosure through February 21, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2022 that require recognition or disclosure in such financial statements.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	2022	2021
<i>Depreciable Assets:</i>		
Computers and office equipment	\$20,892	\$14,314
Leasehold improvements	40,490	26,518
Machinery and Equipment	166,001	80,159
Vehicles	196,072	196,073
Sub-Total	423,455	317,064
Less: accumulated depreciation	(113,228)	(62,676)
Total Property and Equipment, net	\$310,227	\$254,388

Depreciation expense for the years ended June 30, 2022 and 2021, was \$52,270 and \$50,076, respectively.

**SOMA WEST COMMUNITY BENEFIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 4 – LOAN PAYABLE**

On May 10, 2020, SoMa West Community Benefit District received a \$170,500 loan from the U.S. Small Business Administration Paycheck Protection Program (PPP), with an interest rate of 1.0% that matures on May 10, 2022. The loan was made pursuant to sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Section 1106 of the CARES Act provides that up to the full principal amount plus interest accrued on loans guaranteed under the PPP may qualify for forgiveness if SoMa West Community Benefit District uses the loan proceeds for forgivable purposes.

In August 2021, the District received official notice of forgiveness of the SBA loans and recorded the total amount as grant revenue for the fiscal year ended June 30, 2021.

**NOTE 5 – RETIREMENT PLAN**

The District participates in a defined contribution plan designated for employees of member organizations of the SoMA West Community Benefits District. Employees become eligible after completing a 3-month Period of Service and has attained age 21. The vested portion of the Account of any Participant's Accounts determined on the basis of the following vesting schedule:

<u>No. of years</u>	<u>Vesting</u>
0	0%
1	100%

During fiscal year ended June 30, 2022, the District contributed \$39,461 to the plan.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

*Leases*

As of June 30, 2022, the District has the following operating leases:

In January 2020, the District entered into a 10 year lease for its office space, commencing on February 1, 2020 and ending January 31, 2030. The starting monthly base rent is \$13,000, and increases 3% annually on March 1.

In January 2020, the District entered into a 10 year lease for warehouse space, commencing on March 1, 2020 and ending February 28, 2030. The lease was later amended to abate the rent for March and April of 2020. The starting monthly base rent is \$10,000, and increases 3% annually on March 1. In addition to the base rent, the District is responsible for its proportionate share of Common Area Operating Expenses estimated at \$396 per month.

**SOMA WEST COMMUNITY BENEFIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)**

Future minimum lease payments under these arrangements are as follows:

Fiscal Year Ending June 30	Annual Payment
2023	296,149
2024	305,031
2025	314,191
2026	323,620
Thereafter	1,239,385
Total	2,478,376

Rent expense for the years ended June 30, 2022 and 2021 was \$285,619 and \$274,450, respectively.

**NOTE 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The District’s primary source of support are assessments. 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 as of June 30, 2022:

Total current financial assets:	
Cash and cash equivalents	\$2,381,193
Accounts receivable	833,276
Total current financial assets	3,214,469
Contractual or donor-imposed restrictions:	
Restricted for Programs per Master Agreement	_____
Financial Assets Available to Meet Cash	
Needs for Expenditures Within One Year	\$3,214,469