

**MID MARKET COMMUNITY
BENEFIT DISTRICT**

REVIEWED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

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**MID MARKET COMMUNITY
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of Mid Market Community Benefit District (formerly known as Central Market Community Benefit District), a California nonprofit benefit organization, as of December 31, 2019, and the related statements of activities, functional expense, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement taken as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with generally accepted accounting principles in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive script.

Pleasant Hill, California
August 3, 2020

MID MARKET COMMUNITY BENEFIT DISTRICT

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

Current Assets:	
Cash and cash equivalents (Note 3)	\$373,509
Cash designated for contingencies and reserve (Note 3)	706,721
Account receivable (Note 2B)	109,055
Security deposits and other	<u>34,933</u>
 Total Assets	 <u>1,224,218</u>

LIABILITIES

Current Liabilities:	
Accounts payable	89,930
Accrued expenses	84,546
Deferred revenue (Note 2C)	<u>21,525</u>
 Total Liabilities	 <u>196,001</u>

NET ASSETS (Note 2A)

Without donor restrictions	<u>1,028,217</u>
 Total Net Assets	 <u><u>\$1,028,217</u></u>

See accountant's review report and notes to financial statements.

MID MARKET COMMUNITY BENEFIT DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

Support and Revenues

Local property assessments (Note 5)	\$1,516,795
General Benefit Non-Assessment Revenue:	
Grants	157,858
Fees for Service	220,023
Contributions and Other	9,310
Investment Income	<u>383</u>
 Total Support and Revenues	 <u>1,904,369</u>

Expenses

Program services:	
Public Safety, Cleaning and Maintenance	813,321
General Benefit Non-Assessment Expenses	<u>359,161</u>
Sub-total Program services	<u>1,172,482</u>
 Support services:	
Management and Economic Development	560,214
Fundraising	<u>17,478</u>
Sub-total Support services	<u>577,692</u>
 Total Expenses	 <u>1,750,174</u>

Change in Net Assets	154,195
 Net Assets, Beginning of Year	 <u>874,022</u>
 Net Assets, End of Year	 <u><u>\$1,028,217</u></u>

See accountant's review report and notes to financial statements.

MID MARKET COMMUNITY BENEFIT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services		Supporting Services		Total
	Public Safety, Cleaning and Maintenance	Non-Assessment	Management and Economic Development	Fundraising	
FUNCTIONAL EXPENSES					
Personnel Costs:					
Salaries		\$134,986	\$201,290	\$13,614	\$349,890
Payroll taxes		12,187	17,676	1,196	31,059
Health and other fringe benefits		20,070	28,772	1,946	50,788
Worker's compensation		1,523	3,493	236	5,252
Payroll fees		3,345	7,192	486	11,023
Recruitment fees			2,351		2,351
Subtotal Personnel Costs		172,111	260,774	17,478	450,363
Public Safety:					
Community guides	\$333,256				333,256
Dispatch services	45,021				45,021
Security camera	48,778				48,778
Subtotal Public Safety Expense	427,055				427,055
Cleaning and maintenance:					
Cleaning and maintenance	386,266				386,266
Subtotal Cleaning and Maintenance Expense	386,266				386,266
Economic Development and Marketing:					
Economic development			54,867		54,867
Marketing and promotion			80,686		80,686
Subtotal Economic Development and Marketing Expense			135,553		135,553
Accounting and auditing fees			49,770		49,770
Consultants and contractors		158,495	41,235		199,730
Dues, membership and subscriptions			1,234		1,234
Insurance			11,879		11,879
Legal			475		475
Miscellaneous		28,555	383		28,938
Office supplies			3,492		3,492
Other equipment			9,564		9,564
Postage and delivery			1,176		1,176
Printing and reproduction			4,484		4,484
Rent			26,932		26,932
Telephone and internet			3,045		3,045
Travel and meetings			10,218		10,218
Total Functional Expenses	\$813,321	\$359,161	\$560,214	\$17,478	\$1,750,174

See accountant's review report and notes to financial statements.

MID MARKET COMMUNITY BENEFIT DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$154,195
Adjustments to reconcile support and revenue over expenses to net cash provided (used) by operating activities:	
Increase/decrease in:	
Accounts receivable	24,212
Security deposits and other	(32,343)
Accounts payable	(34,225)
Accrued expenses	(753)
Deferred revenue	<u>(875,690)</u>
Total adjustments	<u>(918,799)</u>
Net cash (used) by operating activities	<u>(764,604)</u>
Net decrease in cash	(764,604)
Cash and cash equivalents, beginning of year	<u>1,844,834</u>
Cash and cash equivalents, end of year	<u><u>\$1,080,230</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

No taxes or interest were paid by the District during 2019.

See accountant's review report and notes to financial statements.

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MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2019

NOTE 1 – ORGANIZATION AND PROGRAMS

A. Reporting Entity

Mid Market Community Benefit District (MMCBD), 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 Central Market District (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*.

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. *Deferred Revenue*

As of December 31, 2019, deferred revenue consisted of the following:

Urban Solutions	\$20,000
Mercy Housing	<u>1,525</u>
Total Deferred Revenue	<u><u>\$21,525</u></u>

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

E. Advertising

MMCBD follows the policy of expensing advertising costs as incurred.

F. 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.

G. 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.

H. 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, 2019

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 Foundations 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.

I. 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, 2019.

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.

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Subsequent Events

MMCBD evaluated subsequent events for recognition and disclosure through August 3, 2020, the date which these financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel strain of Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, equity markets have significantly declined from their historically high levels. It is probable that this matter will negatively impact the District, however, the ultimate financial impact and duration cannot be reasonably estimated at this time.

NOTE 3 – CASH AND CASH EQUIVALENTS

As of December 31, 2019, the MMCBD's cash is summarized as follows:

Cash in bank	<u>\$1,080,230</u>
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Of the \$1,080,230 total cash and cash equivalents above, \$706,721 has been set aside as designated for contingencies and reserve, in accordance with the MMCBD'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 \$9,523 to the plan during the year ended December 31, 2019.

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.

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2019

NOTE 6 – 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, 2019:

Total current financial assets:	
Cash and cash equivalents	\$1,080,230
Accounts receivable	<u>109,055</u>
Total current financial assets	1,189,285
Amount set aside for contingencies and reserves	<u>(706,721)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u><u>\$482,564</u></u>