

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS**

**For the Years Ended  
June 30, 2022 and 2021**

## CONTENTS

	<u>Page</u>
Independent Auditor's Report	
Financial Statements	
Statements of Financial Position	1
Statements of Activities	2 - 3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 14

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lower Polk Community Benefit District  
San Francisco, California

### **Opinion**

We have audited the accompanying financial statements of the Lower Polk Community Benefit District ("LPCBD") (the "Corporation"), (a California nonprofit public benefit corporation) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 LPCBD as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 LPCBD 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 LPCBD'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, including omissions, 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

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 LPCBD'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 LPCBD'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.

*Bunker & Company LLP*

July 6, 2023

Bunker & Company LLP

San Rafael, CA

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2022 and 2021**

	2022	2021
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 2)	\$ 925,165	\$ 971,211
Grants receivable	575,887	156,497
Assessments receivable	21,521	26,519
Prepaid expenses	90,771	20,019
Total current assets	1,613,344	1,174,246
Deposits	14,250	14,250
Equipment, net of accumulated depreciation and amortization of \$520,763 in 2022 and \$457,563 in 2021 (Notes 2 and 3)	64,890	128,090
Total assets	\$ 1,692,484	\$ 1,316,586
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 410,896	\$ 141,197
Accrued liabilities	57,214	56,810
Refundable advance	18,750	18,750
Total current liabilities	486,860	216,757
Long-term liabilities		
CARES Act PPP Loan (Note 10)	183,417	366,834
Total liabilities	670,277	583,591
Net assets		
Net assets without donor restrictions	446,320	576,498
Net assets with donor restrictions (Note 4)	575,887	156,497
Total net assets	1,022,207	732,995
Total liabilities and net assets	\$ 1,692,484	\$ 1,316,586

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2022**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Assessment revenue	\$ 926,990	\$ -	\$ 926,990
Grant revenue	283,582	575,887	859,469
Contributions	2,000	-	2,000
In-kind contributions	66,208	-	66,208
Interest	30	-	30
Total revenue, gains and other support	<u>1,278,810</u>	<u>575,887</u>	<u>1,854,697</u>
Net assets released from restrictions	<u>156,497</u>	<u>(156,497)</u>	<u>-</u>
	<u>1,435,307</u>	<u>419,390</u>	<u>1,854,697</u>
<b>EXPENSES</b>			
Program			
Cleaning, maintenance and safety	781,955	-	781,955
Marketing, streetscape and beautification	659,183	-	659,183
Total program services	<u>1,441,138</u>	<u>-</u>	<u>1,441,138</u>
Supporting services			
Management and general	111,630	-	111,630
Fundraising	12,717	-	12,717
Total supporting services	<u>124,347</u>	<u>-</u>	<u>124,347</u>
Total expenses	<u>1,565,485</u>	<u>-</u>	<u>1,565,485</u>
Change in net assets	(130,178)	419,390	289,212
Net assets, beginning of year	<u>576,498</u>	<u>156,497</u>	<u>732,995</u>
Net assets, end of year	<u>\$ 446,320</u>	<u>\$ 575,887</u>	<u>\$ 1,022,207</u>

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2021**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Assessment revenue	\$ 899,328	\$ -	\$ 899,328
Grant revenue	-	361,464	361,464
Contributions	11,695	3,665	15,360
Interest	30	-	30
Total revenue, gains and other support	911,053	365,129	1,276,182
Net assets released from restrictions	365,129	(365,129)	-
	1,276,182	-	1,276,182
<b>EXPENSES</b>			
Program			
Cleaning, maintenance and safety	485,507	-	485,507
Marketing, streetscape and beautification	573,202	-	573,202
Total program services	1,058,709	-	1,058,709
Supporting services			
Management and general	131,830	-	131,830
Fundraising	16,053	-	16,053
Total supporting services	147,883	-	147,883
Total expenses	1,206,592	-	1,206,592
Change in net assets	69,590	-	69,590
Net assets, beginning of year	636,865	26,540	663,405
Net asset reclassification	(129,957)	129,957	-
Net assets, end of year	\$ 576,498	\$ 156,497	\$ 732,995

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	<u>\$ 289,212</u>	<u>\$ 69,590</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	63,200	128,200
Changes in assets and liabilities:		
Assessments and other receivables	4,998	113,707
Grants receivable	(419,390)	(156,497)
Prepaid expenses	(70,752)	(399)
Deferred revenue	-	18,750
Accounts payable	269,699	104,117
Accrued expenses	404	(38,130)
Total adjustments	<u>(151,841)</u>	<u>169,748</u>
Net cash provided by operating activities	<u>137,371</u>	<u>239,338</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
CARES Act PPP Loan	<u>(183,417)</u>	<u>183,417</u>
Net cash (used) provided by financing activities	<u>(183,417)</u>	<u>183,417</u>
Net change in cash and cash equivalents	(46,046)	422,755
Cash and cash equivalents, beginning of year	<u>971,211</u>	<u>548,456</u>
Cash and cash equivalents, end of year	<u><u>\$ 925,165</u></u>	<u><u>\$ 971,211</u></u>
Supplemental disclosures		
Cash paid for interest and fees	<u><u>\$ 653</u></u>	<u><u>\$ 4,448</u></u>

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



**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2022**

	Program Services			Support Services		
	Cleaning, Maintenance, Safety	Marketing, Streetscape Improvements, Beautification	Total Programs	Management and General	Fundraising	Total
Grant expenses	-	50,000	50,000	-	-	50,000
Salaries and wages	224,388	132,983	357,371	13,476	3,369	374,216
Payroll taxes	14,061	13,152	27,213	1,924	481	29,618
Employee benefits	27,479	21,818	49,297	2,246	553	52,096
Contract services	29,224	-	29,224	-	-	29,224
Professional services	295,298	135,332	430,630	28,482	4,142	463,254
Rent and other occupancy	64,285	16,071	80,356	26,785	-	107,141
Insurance	39,376	13,234	52,610	12,051	2,726	67,387
Marketing and advertising	-	30	30	-	-	30
Postage and printing	-	26,166	26,166	14	-	26,180
Repairs and maintenance	1,491	200,000	201,491	-	-	201,491
Software, subscriptions, licenses and fees	3,757	10,017	13,774	5,712	626	20,112
Supplies and equipment	13,937	2,179	16,116	1,147	11	17,274
Travel, training, conferences and meals	17	1,183	1,200	3,844	-	5,044
Utilities	28,363	4,722	33,085	3,596	428	37,109
Vehicle operations	6,164	-	6,164	-	-	6,164
Interest expense	-	-	-	653	-	653
Depreciation and amortization	34,115	17,004	51,119	11,700	381	63,200
Bad debt	-	15,292	15,292	-	-	15,292
<b>Total Expenses</b>	<b>\$ 781,955</b>	<b>\$ 659,183</b>	<b>\$ 1,441,138</b>	<b>\$ 111,630</b>	<b>\$ 12,717</b>	<b>\$ 1,565,485</b>

Percent of Total

50%

42%

92%

7%

1%

100%

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2021**

	Program Services			Support Services			Total
	Cleaning, Maintenance, Safety	Marketing, Streetscape Improvements, Beautification	Total Programs	Management and General	Fundraising	Total	
Grant expenses	\$ -	\$ 74,232	\$ 74,232	\$ -	\$ -	\$ 74,232	
Salaries and wages	167,120	195,599	362,719	23,497	5,200	391,416	
Payroll taxes	14,633	15,367	30,000	1,866	469	32,335	
Employee benefits	27,201	20,141	47,342	2,343	474	50,159	
Contract services	7,900	9,000	16,900	-	-	16,900	
Professional services	28,864	160,203	189,067	18,868	3,854	211,789	
Rent and other occupancy	62,471	15,724	78,195	26,091	-	104,286	
Insurance	40,410	12,695	53,105	13,110	3,073	69,288	
Marketing and advertising	-	3,159	3,159	-	-	3,159	
Postage and printing	254	14,345	14,599	40	-	14,639	
Repairs and maintenance	1,325	6,253	7,578	-	-	7,578	
Software, subscriptions, license and fees	5,199	11,410	16,609	6,551	1,930	25,090	
Supplies and equipment	17,784	1,660	19,444	4,308	-	23,752	
Travel, training, conference, meals and entertainment	308	19	327	885	-	1,212	
Utilities	28,161	5,130	33,291	4,077	488	37,856	
Vehicle operations	10,251	-	10,251	-	-	10,251	
Interest expense	808	1,212	2,020	2,294	135	4,449	
Depreciation amortization	72,818	27,053	99,871	27,900	430	128,201	
<b>Total Expenses</b>	<b>\$ 485,507</b>	<b>\$ 573,202</b>	<b>\$ 1,058,709</b>	<b>\$ 131,830</b>	<b>\$ 16,053</b>	<b>\$ 1,206,592</b>	
Percent of Total	40%	48%	88%	11%	1%	100%	

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

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2022 and 2021**

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**NOTE 1 DESCRIPTION OF ORGANIZATION**

Organization - Lower Polk Community Benefit District (“LPCBD”) is a not-for-profit community-based organization. LPCBD was formed in 2014 and began operations in 2016. Property owners of the business district formed LPCBD to improve the quality of life in the area by making the area cleaner, safer, and well maintained. The LPCBD has a contract with the City and County of San Francisco for a term of 15 years, expiring on June 30, 2029. LPCBD is generally 22 whole or partial blocks from approximately the south side of California Street to the east side of Van Ness Avenue and from the north side of Myrtle Street to the west side of Larkin Street.

LPCBD exists to implement programs to create a neighborhood that is safer, cleaner and a better place to conduct business and live. These programs and services are funded by district property owners in the Lower Polk Neighborhood, contributions from donors, and grants from the City and County of San Francisco.

Lower Polk Community Benefit District will advance the quality of life for residents, workers and visitors by fostering a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the area’s economic base.

Programs and services provided by the LPCBD include:

**Cleaning and Maintenance** – Includes regular sidewalk sweeping, alley cleaning, refuse removal, regularly scheduled steam cleanings, pressure washing, graffiti removal, tree pruning and watering, tree well weeding with crushed granite replenishment. On April 30, 2018 LPCBD terminated its contract with an outside vendor to provide the majority of these services and hired a work force to bring these services in-house.

**Safety Ambassadors** – The program works with residents, merchants and youth on a variety of safety programs and strategies. Safety Ambassadors on Foot Patrol provide a reassuring presence, who continually engage members of the public, interact with merchants to share safety related information, and report any observed illegal behaviors to the police.

**Marketing, Streetscape and Beautification Program** – This program is designed to augment existing city services to ensure new marketing initiatives designed to promote both stability and growth within the area.

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2022 and 2021**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

Method of Accounting – The financial statements of the LPCBD are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Basis of Presentation – The LPCBD is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions.

Net assets with donor restrictions – Net assets that are restricted by a donor for use for a particular purpose or in a particular period. Some donor imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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

Fair Value Measurements – The LPCBD carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received if selling an asset or paid if transferring a liability in an orderly transaction between market participants at the measurement date. Fair value measurement standards also require the LPCBD to classify these financial instruments into a three-level hierarchy. The LPCBD classifies its financial assets and liabilities according to the below three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2022 and 2021**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities, without adjustment.

Level 2 – Quoted prices in markets that are not considered to be active for identical or similar assets or liabilities, quoted prices in active markets of similar assets or liabilities, and inputs other than quoted prices that are observable or can be corroborated by observable market data.

Level 3 – Inputs that are both significant to the fair value measurement and unobservable, including inputs that are not derived from market data or cannot be corroborated by market data.

The LPCBD’s carrying amounts of its assets and liabilities, approximate fair value under Level 1 for the years ended June 30, 2022 and 2021.

Property, Equipment, and Leasehold Improvements - The LPCBD records property, equipment, and leasehold improvements at cost of acquisition, or, if donated, the fair market value at the date of donation. Depreciation is recognized using the straight-line method over the useful lives of the assets, which range from three to fifteen years. The LPCBD capitalizes all property, equipment, and improvements with a cost in excess of \$2,500.

Contributions and Revenue Recognition – LPCBD receives its support primarily from a special assessment levied by the City and County of San Francisco (“CCSF”) on properties located within the business district in accordance with CCSF Ordinance. The assessment is recorded by LPCBD when earned. CCSF remits the assessments to LPCBD as they are collected from the property owners. Interest is not charged on late assessments; however, late penalties are charged in accordance with the CCSF’s policy.

Assessments and other receivables represent amounts due from the City and County of San Francisco (“CCSF”) for obligations of local property owners collected on the behalf of LPCBD, and other amounts due to LPCBD for other grants. Unpaid receivables do not accrue interest.

Contributions consist of cash contributions as well as in-kind goods and services provided to the Corporation. Contributed services are recognized at their fair value if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated securities are recorded at their fair value at the date of donation.

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2022 and 2021**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Accounts Receivable - Contributions receivable are reviewed for collectability, and reserves for uncollectible amounts are established as needed. It is the practice of the Corporation to expense uncollectibles only after exhausting all efforts to collect the amounts due. LPCBD considers all unconditional promises to give fully collectible and therefore, there was no allowance for doubtful accounts at June 30, 2022 and 2021.

Assessments Receivable – Assessments receivable are considered to be fully collectible because they are levied upon properties within the Lower Polk area and have been approved through the ballot process and the San Francisco Board of Supervisors.

Advertising Costs – It is the policy of the LPCBD to expense advertising costs as incurred.

Functional Allocation of Expenses - The costs of providing the various programs, supporting services and other activities have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates and analysis of personnel time spent on each program and activity.

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 future results could differ from those estimates.

Income Taxes - LPCBD is exempt from federal and state taxes under Section 501(c) (3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be a Corporation other than a Private Foundation. In the opinion of management, there is no unrelated business income.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets. In accordance with this ASU, the Corporation deems the effective date of July 1, 2023, to be in compliance with ASU 842.

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2022 and 2021**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Recent Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. This ASU is effective for fiscal years beginning after June 15, 2021 and the Corporation has implemented this ASU.

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Furniture, equipment and vehicles	\$ 149,357	\$ 149,357
Leasehold improvements	370,436	370,436
Website and mobile app	<u>65,860</u>	<u>65,860</u>
Total property and equipment	585,653	585,653
Accumulated depreciation and amortization	<u>(520,763)</u>	<u>(457,563)</u>
Property and equipment, net	<u>\$ 64,890</u>	<u>\$ 128,090</u>

Depreciation and amortization expense was \$63,200 and \$128,200 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30, 2022 and 2021, consisted of the following time restricted grants:

	<u>2022</u>	<u>2021</u>
Grants receivable	<u>\$ 575,887</u>	<u>\$ 156,497</u>

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2022 and 2021**

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**NOTE 5 RETIREMENT PLAN**

Effective January 1, 2016, LPCBD established a defined contribution retirement plan (the "Plan") for employees over 21 years of age. All employees employed on or after April 27, 2016 are considered eligible. The Plan allows eligible employees to make voluntary contributions by salary reduction up to 92% of compensation but not to exceed the limits allowed by the IRC.

Any eligible employee who does not make voluntary contribution election or elects out of the Plan, will be automatically enrolled in the Plan with a 2% deferral. LPCBD will match employee's contributions 100% on the first 3% deferred and then 50% of deferrals from 3%-5%. LPCBD may also make discretionary profit sharing contributions.

During the years ended June 30, 2022 and 2021, LPCBD made \$12,036 and \$11,693, respectively, in matching contributions, which are included in employee benefits expense on the statements of functional expenses.

**NOTE 6 COMMITMENTS**

Funding - LPCBD's revenue, which is derived from government grants and contracts, is subject to audit by the government agencies. In accordance with the terms of the CCSF's contracts, an audit may be performed by an authorized CCSF representative. Should such an audit disclose any unallowable costs, LPCBD may be liable to the CCSF for reimbursement of such costs.

In the opinion of LPCBD's management the effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2022.

Lease - LPCBD leases space in San Francisco, California under an operating lease that commenced on November 1, 2016 and expired October 31, 2021 and was renewed for an additional 3 years. The lease calls for monthly payments at \$8,439.

Fiscal year ended,	
<u>June, 30</u>	
2023	\$ 101,268
2024	<u>75,951</u>
	<u>\$ 177,219</u>

During the years ended June 30, 2022 and 2021, LPCBD paid rent in the amount of \$101,268 and \$99,905, respectively.



**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2022 and 2021**

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**NOTE 7 IN-KIND CONTRIBUTIONS**

Services - Contributed services are assessed at the fair value of the services received. During the year ended June 30, 2022, \$66,208 of pro-bono architectural services were recorded because the service met requirements outlined in Note 2.

**NOTE 8 LIQUIDITY MANAGEMENT**

As part of LPCBD's liquidity management strategy, LPCBD structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. LPCBD's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of contributions, grants, and assessments. LPCBD has sufficient cash and cash equivalents to meet its current needs and investments which can be converted to cash for periods when cash is not available.

The Statement of Financial Position shows liquid assets as follows:

Cash and cash equivalents	\$ 925,165
Accounts receivable	575,887
Assessments receivable	21,521
Net assets with donor restrictions	<u>(575,887)</u>
Financial assets available for current needs	<u>\$ 946,686</u>

**NOTE 9 FUNDRAISING REQUIREMENTS**

The CCSF's contract requires LPCBD to annually raise not less than 5.5% of its annual budget from sources other than CCSF's assessments. For the years ended June 30, 2022 and 2021, LPCBD satisfied this requirement.

**NOTE 10 THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT**

During the year ended June 30, 2020, LPCBD participated in the Paycheck Protection Plan under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") due to the Coronavirus Pandemic and received \$183,417 from the federal government. On September 22, 2021, the PPP loan had been granted forgiveness by the Small Business Association (SBA).

On March 24, 2021, LPCBD received a second PPP loan in the amount of \$183,417. On July 25, 2022, subsequent to the year end, the second PPP loan had been granted forgiveness by the Small Business Association (see Note 13).

**LOWER POLK COMMUNITY BENEFIT DISTRICT**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2022 and 2021**

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**NOTE 11 CONCENTRATIONS OF RISK**

Geographic – During the years ended June 30, 2022 and 2021, LPCBD received 98% of its total income from the City and County of San Francisco in the form of assessments and revenue from other programs.

Bank balance risk - As of June 30, 2022, LPCBD had cash balances with financial institutions which exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000 by approximately \$594,000.

**NOTE 12 RECLASSIFICATION OF PRIOR YEAR PRESENTATION**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. These changes in classification do not affect previously reported cash flows from operating activities in the Statements of Cash Flows.

**NOTE 13 SUBSEQUENT EVENTS**

Subsequent to the year end, on July 25, 2022, the Small Business Administration had granted LPCBD complete forgiveness of the Paycheck Protection Plan loan in the amount of \$183,417.

Management has evaluated all material subsequent events through the Auditor's Report date, the date the financial statements were available to be issued, and are asserting there are no additional subsequent events.