

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

FINANCIAL STATEMENTS

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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Discover Polk Community Benefit District ("DPCBD") (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 the DPCBD 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 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 DPCBD and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 DPCBD'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.

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 DPCBD'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 DPCBD'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.



November 28, 2022
Bunker & Company LLP
San Rafael, CA

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 755,042	\$ 815,733
Assesment and other receivables	36,909	16,907
Prepaid expenses	4,200	3,000
Total current assets	796,151	835,640
Equipment, net of accumulated depreciation of of \$3,317 in 2022 and \$1,728 in 2021 (Notes 2 and 3)	6,878	8,467
Total assets	\$ 803,029	\$ 844,107
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 29,810	\$ 27,746
Accrued liabilities	10,534	9,994
Total current liabilities	40,344	37,740
Total liabilities	40,344	37,740
Net assets		
Net assets without donor restrictions	762,685	806,367
Net assets with donor restrictions	-	-
Total net assets	762,685	806,367
Total liabilities and net assets	\$ 803,029	\$ 844,107

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

DISCOVER 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
REVENUE AND SUPPORT			
Assessment revenue	\$ 635,983	\$ -	\$ 635,983
Grant revenue	-	69,355	69,355
Total revenue, gains and other support	<u>635,983</u>	<u>69,355</u>	<u>705,338</u>
Net assets released from restrictions	<u>69,355</u>	<u>(69,355)</u>	<u>-</u>
	<u>705,338</u>	<u>-</u>	<u>705,338</u>
EXPENSES			
Program			
Environmental enhancements	552,022	-	552,022
Economic enhancements	137,525	-	137,525
Total program services	<u>689,547</u>	<u>-</u>	<u>689,547</u>
Supporting services			
Management and general	56,759	-	56,759
Fundraising	2,714	-	2,714
Total supporting services	<u>59,473</u>	<u>-</u>	<u>59,473</u>
Total expenses	<u>749,020</u>	<u>-</u>	<u>749,020</u>
Change in net assets	(43,682)	-	(43,682)
Net assets, beginning of year	<u>806,367</u>	<u>-</u>	<u>806,367</u>
Net assets, end of year	<u>\$ 762,685</u>	<u>\$ -</u>	<u>\$ 762,685</u>

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DISCOVER 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
REVENUE AND SUPPORT			
Assessment revenue	\$ 636,322	\$ -	\$ 636,322
Grant revenue	-	13,645	13,645
Contributions	5,100	-	5,100
Total revenue, gains and other support	<u>641,422</u>	<u>13,645</u>	<u>655,067</u>
 Net assets released from restrictions	 <u>13,645</u>	 <u>(13,645)</u>	 <u>-</u>
	<u>655,067</u>	<u>-</u>	<u>655,067</u>
 EXPENSES			
Program			
Environmental enhancements	386,417	-	386,417
Economic enhancements	27,260	-	27,260
Total program services	<u>413,677</u>	<u>-</u>	<u>413,677</u>
Supporting services			
Management and general	87,751	-	87,751
Fundraising	1,060	-	1,060
Total supporting services	<u>88,811</u>	<u>-</u>	<u>88,811</u>
Total expenses	<u>502,488</u>	<u>-</u>	<u>502,488</u>
 Change in net assets	 152,579	 -	 152,579
Net assets, beginning of year	<u>646,468</u>	<u>7,320</u>	<u>653,788</u>
Net assets reclassification	<u>7,320</u>	<u>(7,320)</u>	<u>-</u>
Net assets, end of year	<u>\$ 806,367</u>	<u>\$ -</u>	<u>\$ 806,367</u>

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

DISCOVER 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
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ (43,682)</u>	<u>\$ 152,579</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,589	1,107
Changes in assets and liabilities		
Assessments and other receivables	(20,002)	(9,587)
Prepaid expenses	(1,200)	(2,693)
Accounts payable and accrued expense	2,604	27,540
Total adjustments	<u>(17,009)</u>	<u>16,367</u>
Net cash (used) provided by operating activities	<u>(60,691)</u>	<u>168,946</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in fixed assets	<u>-</u>	<u>(7,894)</u>
Net cash (used) by investing activities	<u>-</u>	<u>(7,894)</u>
Net change in cash and cash equivalents	(60,691)	161,052
Cash and cash equivalents, beginning of year	<u>815,733</u>	<u>654,681</u>
Cash and cash equivalents, end of year	<u><u>\$ 755,042</u></u>	<u><u>\$ 815,733</u></u>

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

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

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

	<u>Program Services</u>			<u>Support Services</u>		<u>Total</u>
	<u>Environmental Enhancements</u>	<u>Economic Enhancements</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Cleaning and janitorial	\$ 309,349	\$ 479	\$ 309,828	\$ -	\$ -	\$ 309,828
Grant awards	-	1,700	1,700	-	-	1,700
Professional services	110,025	101,374	211,399	48,156	2,714	262,269
Rent, utilities and occupancy	122,192	650	122,842	1,091	-	123,933
Supplies, postage, printing, software	222	2,470	2,692	4,608	-	7,300
Dues, licenses, advertising	9,106	29,844	38,950	1,311	-	40,261
Travel and meals	-	996	996	377	-	1,373
Bank fees and interest	-	12	12	756	-	768
Depreciation and amortization	1,128	-	1,128	460	-	1,588
Total Expenses	<u>\$ 552,022</u>	<u>\$ 137,525</u>	<u>\$ 689,547</u>	<u>\$ 56,759</u>	<u>\$ 2,714</u>	<u>\$ 749,020</u>
Percent of Total	73.7%	18.4%	92.1%	7.6%	0.4%	100.0%

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

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

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

	<u>Program Services</u>			<u>Support Services</u>		<u>Total</u>
	<u>Environmental Enhancements</u>	<u>Economic Enhancements</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Cleaning and janitorial	\$ 269,138	\$ -	\$ 269,138	\$ -	\$ -	\$ 269,138
Professional services	41,260	10,160	51,420	82,765	1,060	135,245
Rent, utilities and occupancy	50,240	-	50,240	1,836	-	52,076
Repairs and maintenance	24,207	-	24,207	-	-	24,207
Supplies, postage, printing, software	-	50	50	387	-	437
Dues, licenses, advertising	925	17,050	17,975	2,112	-	20,087
Bank fees and interest	-	-	-	191	-	191
Depreciation and amortization	647	-	647	460	-	1,107
Total Expenses	<u>\$ 386,417</u>	<u>\$ 27,260</u>	<u>\$ 413,677</u>	<u>\$ 87,751</u>	<u>\$ 1,060</u>	<u>\$ 502,488</u>
Percent of Total	76.9%	5.4%	82.3%	17.5%	0.2%	100.0%

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

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

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

NOTE 1 DESCRIPTION OF ORGANIZATION

Organization – Discover Polk Community Benefit District (“DPCBD”) (the “Corporation”) is a not-for-profit community-based organization, whose mission is to improve the quality of life for all residents, businesses and visitors to the Polk Street neighborhood, centered along the Polk Street corridor from California Street to Broadway Street. The Polk Street neighborhood contains an eclectic mix of unique small and independent businesses, and DPCBD aims to support and provide funding for enhanced maintenance, hospitality, beautification and business support programs, above and beyond those provided by the City of San Francisco.

DPCBD 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.

DPCBD 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 Discover Polk neighborhood, contributions from donors, and various grants.

Programs and services provided by DPCBD include:

Environmental Enhancements – This program includes litter and graffiti removal, pressure washing sidewalks, spot or detailed cleaning of public areas, safety patrols, outreach and case management with the homeless, landscaping, planters, seasonal decorations, cosmetic improvements, lighting, signage, and similar items.

Economic Enhancements – This program includes support for businesses within the district including dining, shopping, and services to promote a healthy and vibrant mixed use environment; marketing and communications to support all components of the DPCBD’s Management Plan; local events such as pop-up art galleries, outdoor concerts or movies, farmers’ markets, community events, or similar programs.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting – The financial statements of the DPCBD 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.

DISCOVER 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)

Basis of Presentation – The DPCBD 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 donor restrictions.

Fair Value Measurements – The DPCBD 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 DPCBD to classify these financial instruments into a three-level hierarchy. The DPCBD 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.

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

DISCOVER 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)

Equipment - The DPCBD records equipment 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 five years. The DPCBD capitalizes all property, equipment, and improvements with a cost in excess of \$2,500.

Contributions, Revenue Recognition, and Assessments Receivable – 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 DPCBD, and other amounts due to DPCBD. Unpaid receivables do not accrue interest.

DPCBD receives its support primarily from a special assessment levied by CCSF on properties located within the business district in accordance with CCSF Ordinance. The assessment is recorded by DPCBD when earned. The CCSF remits the assessments to DPCBD 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.

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. DPCBD considers all unconditional promises to give fully collectible and therefore, there was no allowance for doubtful accounts at June 30, 2022 and 2021.

Advertising Costs – It is the policy of the DPCBD 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 Statement of Activities and Statement 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.

DISCOVER 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)

Income Taxes - The DPCBD 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). Under the amendments in this ASU, a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. This ASU was originally effective for fiscal years beginning after December 15, 2019. In July 2019, the FASB approved a proposal to defer, for one year, the implementation of this ASU for nonpublic companies and in May 2020, the FASB approved an additional one year deferral. This ASU will now be effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Corporation has implemented this ASU and has determined there are no lease obligations requiring capitalization.

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 FIXED ASSETS

Fixed assets consist of the following:

	2022	2021
Computer and office equipment	\$ 2,301	\$ 2,301
Machinery and equipment	7,894	7,894
Accumulated depreciation and amortization	(3,317)	(1,728)
Equipment, net	\$ 6,878	\$ 8,467

Depreciation and amortization expense was \$1,588 and \$1,107 for the years ended June 30, 2022 and 2021, respectively.

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

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

NOTE 4 COMMITMENTS

DPCBD subleases storage space in San Francisco, California under an operating lease that commenced on February 1, 2020 and expires June 30, 2023, with opportunity to renegotiate at that time. The lease calls for monthly payments at \$3,000 with estimated future payments as follows:

Fiscal year ended, <u>June, 30</u>	
2023	<u>\$ 36,000</u>

During the years ended June 30, 2022 and 2021, DPCBD paid rent in the amount of \$36,000 for each year.

DPCBD contracts with two entities to help with management, governance, and executing the mission of DPCBD.

Tonic Nightlife LLC, a management company that performs functions of governance for DPCBD is in contract for \$128,000 per year through June 30, 2022 and renews on a perpetual basis until cancelled by either party with a 60 day written notice.

DPCBD contracts annually with Streetplus for \$339,422 to perform activities including daily sidewalk cleaning, graffiti abatement, and pressure washing of trouble spots. This contract expires November 30, 2022 and thereafter is extendable for 1 year with 60 days written notice from DPCBD to Streetplus.

NOTE 5 LIQUIDITY MANAGEMENT

As part of DPCBD's liquidity management strategy, the Corporation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Corporation's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of assessments and grants. The Corporation has sufficient cash and cash equivalents to meet its current needs.

Current liquidity at June 30, 2022 can be quantified as follows:

Cash and cash equivalents	\$ 755,042
Accounts receivable	<u>36,909</u>
Financial assets available for current needs	<u>\$ 791,951</u>

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

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

NOTE 6 CORONAVIRUS PANDEMIC

The United States and global markets continue to experience significant volatility resulting from uncertainty caused by the world-wide Coronavirus Pandemic. The Corporation is closely monitoring its revenue sources, investment portfolio and its liquidity and is actively working to minimize the impact of these price movements. The Corporation's financial statements do not include adjustments to fair value that may have resulted from these changes.

NOTE 7 FUNDRAISING REQUIREMENTS

The CCSF's contract requires DPCBD to annually raise not less than 3.375% of its annual budget from sources other than CCSF's assessments. For the year ended June 30, 2022 DPCBD satisfied this requirement, but did not satisfy this requirement for the year ended June 30, 2021. DPCBD believes that a waiver will be granted for the requirement for 2021 due to the Coronavirus.

NOTE 8 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 9 CONCENTRATION OF RISK

Revenue concentration of risk – During the years ended June 30, 2022 and 2021, DPCBD received 90 and 97%, respectively of its total income from the City and County of San Francisco in the form of assessments.

As of June 30, 2022, DPCBD had cash balances with financial institutions which exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000 by approximately \$335,600.

NOTE 10 SUBSEQUENT EVENTS

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 none.