

**MID MARKET COMMUNITY
BENEFIT DISTRICT**

REVIEWED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

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**MID MARKET COMMUNITY
BENEFIT DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2018**

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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, 2018, 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.

Emphasis of a Matter

During 2018, the Central Market Community Benefit Corporation changed its name to Mid Market Community Benefit District. The emphasis of this matter does not constitute a change in our conclusion.

A handwritten signature in black ink that reads 'Maze & Associates' with a stylized flourish at the end.

Pleasant Hill, California
September 9, 2019

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MID MARKET COMMUNITY BENEFIT DISTRICT

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents (Note 3)	\$1,249,120
Cash designated for contingencies and reserve (Note 3)	595,714
Account receivable (Note 2B)	133,267
Security deposits and other	<u>2,590</u>

Total Assets 1,980,691

LIABILITIES

Current Liabilities:

Accounts payable	124,155
Accrued expenses	85,299
Deferred revenue (Note 2C)	<u>897,215</u>

Total Liabilities 1,106,669

NET ASSETS (Note 2A)

Without donor restrictions 874,022

Total Net Assets \$874,022

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

MID MARKET COMMUNITY BENEFIT DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

Support and Revenues

Local property assessments (Note 5)	\$1,463,365
General Benefit Non-Assessment Revenue:	
Grants	117,246
Fees for Service	324,185
Contributions and Other	18,425
Investment Income	<u>222</u>
 Total Support and Revenues	 <u>1,923,443</u>

Expenses

Program services:	
Public Safety, Cleaning and Maintenance	857,582
General Benefit Non-Assessment Expenses	<u>415,785</u>
Sub-total Program services	<u>1,273,367</u>
 Support services:	
Management and Economic Development	514,826
Fundraising	<u>13,489</u>
Sub-total Support services	<u>528,315</u>
 Total Expenses	 <u>1,801,682</u>

Change in Net Assets	121,761
 Net Assets, Beginning of Year	 <u>752,261</u>
 Net Assets, End of Year	 <u><u>\$874,022</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, 2018

	<u>Program Services</u>		<u>Supporting Services</u>		
	Public Safety, Cleaning and Maintenance	Non-Assessment	Management and Economic Development	Fundraising	Total
FUNCTIONAL EXPENSES					
Personnel Costs:					
Salaries		\$68,831	\$201,525	\$11,253	\$281,609
Payroll taxes		10,393	15,180	670	26,243
Health and other fringe benefits		14,119	27,682	1,222	43,023
Worker's compensation		1,369	2,836	125	4,330
Payroll fees		3,017	4,968	219	8,204
Recruitment fees			529		529
Subtotal Personnel Costs		<u>97,729</u>	<u>252,720</u>	<u>13,489</u>	<u>363,938</u>
Public Safety:					
Community guides	\$326,560				326,560
Dispatch services	45,021				45,021
10B officers	52,738				52,738
Security camera	40,121				40,121
Uniforms	22				22
Subtotal Public Safety Expense	<u>464,462</u>				<u>464,462</u>
Cleaning and maintenance:					
Cleaning and maintenance	393,120				393,120
Subtotal Cleaning and Maintenance Expense	<u>393,120</u>				<u>393,120</u>
Economic Development and Marketing:					
Economic development			42,020		42,020
Marketing and promotion		1,444	46,125		47,569
Subtotal Economic Development and Marketing Expense		<u>1444</u>	<u>88,145</u>		<u>89,589</u>
Accounting and auditing fees		396	42,584		42,980
Consultants and contractors		296,771	66,599		363,370
Dues, membership and subscriptions		855	1,695		2,550
Insurance		500	11,124		11,624
Legal			208		208
Miscellaneous			211		211
Office supplies		544	3,396		3,940
Other equipment		1,110	6,009		7,119
Postage and delivery		50	524		574
Printing and reproduction		76	2,296		2,372
Rent		14,559	26,861		41,420
Telephone and internet		1,751	1,892		3,643
Travel and meetings			10,562		10,562
Total Functional Expenses	<u>\$857,582</u>	<u>\$415,785</u>	<u>\$514,826</u>	<u>\$13,489</u>	<u>\$1,801,682</u>

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$121,761
Adjustments to reconcile support and revenue over expenses to net cash provided (used) by operating activities:	
Increase/decrease in:	
Accounts receivable	82,914
Security deposits and other	(400)
Accounts payable	(172,863)
Accrued expenses	55,025
Deferred revenue	<u>897,215</u>
Total adjustments	<u>861,891</u>
Net cash provided by operating activities	<u>983,652</u>
Net increase in cash	983,652
Cash and cash equivalents, beginning of year	<u>861,182</u>
Cash and cash equivalents, end of year	<u><u>\$1,844,834</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

No taxes or interest were paid by the District during 2018.

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

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2018

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

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 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, 2018

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 and net assets with donor restrictions:

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, 2018, deferred revenue consisted of the following:

2019 Assessments	\$869,592
Urban Solutions	20,000
Mercy Housing	<u>7,623</u>
 Total Deferred Revenue	 <u><u>\$897,215</u></u>

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Support and Revenue Recognition

Support and revenue are recognized when the donor or grantor makes a promise to give to the MMCBD that is, in substance, unconditional. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase 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.

E. 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.

F. Advertising

MMCBD follows the policy of expensing advertising costs as incurred.

G. 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.

H. 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.

I. 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, 2018

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.

J. *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, 2018.

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, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. New Accounting Pronouncement

During the year ended December 31, 2018, the MMCBD adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (see Note 6).

NOTE 3 – CASH AND CASH EQUIVALENTS

As of December 31, 2018, the MMCBD's cash is summarized as follows:

Cash in bank	<u>\$1,844,834</u>
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Of the \$1,844,834 total cash and cash equivalents above, \$595,714 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 \$8,982 to the plan during the year ended December 31, 2018.

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.

As of December 31, 2018, MMCBD had outstanding 2018 Assessments of \$10,055.

MID MARKET COMMUNITY BENEFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended December 31, 2018

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, 2018:

Total current financial assets:	
Cash and cash equivalents	\$1,844,834
Accounts receivable	<u>133,267</u>
Total current financial assets	1,978,101
Amount set aside for contingencies and reserves	<u>(595,714)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u><u>\$1,382,387</u></u>

NOTE 7 – SUBSEQUENT EVENTS

MMCBD evaluated subsequent events for recognition and disclosure through September 9, 2019 the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in such financial statements.