FISHERMAN'S WHARF ASSOCIATION OF SAN FRANCISCO, INC.

FINANCIAL STATEMENTS

June 30, 2024

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CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fisherman's Wharf Association of San Francisco:

Opinion

We have audited the accompanying financial statements of Fisherman's Wharf Association of San Francisc, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fisherman's Wharf Association of San Francisco as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Fisherman's Wharf Association of San Francisco 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 Audit of 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 Fisherman's

Wharf Association of San Francisco'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 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 Fisherman's Wharf Association of San Francisco'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 Fisherman's Wharf Association of San Francisco'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.

WeiHoover & Co. LLP

San Francisco, California
October 18, 2024

FISHERMAN'S WHARF ASSOCIATION OF SAN FRANCISCO, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Cash	$	1,152,715
Grants and other receivables, net of allowance for credit losses of $60,475		39,525
Prepaid expenses		35,044
Right-of-use asset - operating lease		128,619
Leasehold improvement, net of accumulated amortization of $351		10,177
Total Assets	$	1,366,080

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	107,238
Accrued liabilities		26,003
Refundable advances		67,016
Leases liability - operating lease		128,908
Total Liabilities		329,165
COMMITMENTS AND CONTINGENCIES		-
NET ASSETS		
Net assets without donor restrictions		1,036,915
Net assets with donor restrictions		-
Total Net Assets		1,036,915
	$	1,366,080

See notes to financial statements.

FISHERMAN'S WHARF ASSOCIATION OF SAN FRANCISCO, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Grant and contributions	$ 1,280,412	$ -	$ 1,280,412
Assessments	1,333,500	-	1,333,500
Contribution of nonfinancial assets	142,952	-	142,952
Program service revenue	26,510	-	26,510
Interest Income	8,619	-	8,619
	2,791,993	-	2,791,993
EXPENDITURES			
Program services	2,410,167	-	2,410,167
General and administrative expenses	277,407	-	277,407
	2,687,574	-	2,687,574
CHANGE IN NET ASSETS	104,419	-	104,419
NET ASSETS - Beginning of year	932,496	-	932,496
NET ASSETS - End of year	$ 1,036,915	$ -	$ 1,036,915

See notes to financial statements.

FISHERMAN'S WHARF ASSOCIATION OF SAN FRANCISCO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services					
	Clean and Safe	Marketing and Event	Port of San Francisco Grant	Total Program Services	General and Administrative	Total
Wages and benefits	$ 117,085	$ 171,532	$ 117,016	$ 405,633	$ 134,255	$ 539,888
Safety and security	264,670	-	-	264,670	-	264,670
Ambassador programs	327,136	48,000	-	375,136	-	375,136
Small beautification elements	-	-	433,416	433,416	-	433,416
Stewardship assistance	-	-	396,260	396,260	-	396,260
Outdoor events and storefront activations	-	-	222,175	222,175	-	222,175
production						
production	-	176,314	-	176,314	-	176,314
Marketing - engagement and business attraction	-	-	20,301	20,301	-	20,301
Office expenses	-	5,906	2,808	8,714	56,202	64,916
Payroll taxes	8,853	11,419	8,510	28,782	10,260	39,042
Community engagement events	-	15,128	-	15,128	-	15,128
Professional fees	-	19,760	7,500	27,260	39,083	66,343
Rent	2,378	-	-	2,378	37,607	39,985
Website maintenance and				-		
license	-	34,000	-	34,000	-	34,000
	$ 720,122	$ 482,059	$ 1,207,986	$ 2,410,167	$ 277,407	$ 2,687,574

FISHERMAN'S WHARF ASSOCIATION OF SAN FRANCISCO, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	$ 104,419
Adjustments to reconcile net assets to net cash provided by operating activities:	
Amortization	351
Changes in current assets and liabilities -	
Grant and other receivables	(37,746)
Prepaid expenses	47,223
Right-of-use asset - operating lease	(128,619)
Accounts payable	68,368
Accrued liabilities	9,961
Refundable advances	67,016
Lease liabilty - operating lease	128,908
Total Adjustments	155,462
Net cash provided by operating activities	259,881
CASH FLOWS FROM FINANCING ACTIVITY	
Payment of note payable	(70,000)
Net cash used in investing activity	(70,000)
CASH FLOWS FROM INVESTING ACTIVITY	
Purchase of leasehold improvements	(10,528)
Net cash used in investing activity	(10,528)
NET INCREASE IN CASH	179,353
CASH - BEGINNING OF YEAR	973,362
CASH - END OF YEAR	$ 1,152,715

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:	
Interest	$ 850
Operating lease liablities	4,646

See notes to financial statements.

1. ORGANIZATION AND NATURE OF BUSINESS

The Fisherman's Wharf Association of San Francisco, Inc. (the Association) was incorporated in California on February 23, 2006, as a non-profit public benefit corporation. Its purpose is to provide services to the Fisherman's Wharf Landside Community District (the Landside District). The members of the Landside District include owners of all parcels of land subject to property tax assessments within the geographic area of Fisherman's Wharf as established on July 26, 2005, by the Board of Supervisors of the City and County of San Francisco (the City). The Association also provided services to the former Portside Community Benefit District until its disestablishment on December 31, 2020.

Upon formation of the Landside District, its members were subject to multi-year special assessments imposed by the City under the Property and Business Improvement District Law of 1994. Under contracts with the City, the Association receives these special assessments and, in exchange, provides certain services to the members of the Landside District. The services to the Landside District include supplemental security services to maintain order, the cleaning and maintenance of sidewalks, the removal of graffiti, the coordination of services provided to the homeless, neighborhood beautification program, and the organization and funding of special events. The contract with the City also requires the Association to raise a specified level of general benefit contributions and other non-assessment income. Management believes that during the year ended June 30, 2024, the Association has complied with this requirement.

In addition to the special assessment funds, the Association relies on public support, grants, and service revenues to supplement the special assessments and provides services to the Landside District and the neighboring area.

The annual special assessments imposed by the City on the Landside District were renewed by a majority vote of its members on July 24, 2020, for 15 more years. The Association's contract related to the Landside District with the City will expire on December 31, 2035, but would expire earlier upon the disestablishment of the remaining Landside District.

In the fiscal year 2023-2024, the Association received a $3.2 million grant from the City through the Port of San Francisco, to undertake a two-year program to improve the visitor experience in the Wharf. The grant funds are restricted and to be used only for program expenses related to (1) the public spaces north of Jefferson Street and between Hyde Street and Powell Street; and (2) Little Embarcadero Activation Project. The funding is earmarked for the following programs:

- planning, design and development;
- stewardship assistance;
- small beautification elements;
- outdoor events and storefront activations; and
- engagement, marketing and business attraction.

As of June 30, 2024, the Association received $1,275,000 of the grant, which includes advances for 2024-2025 expenditures of $67,016. The expenses related to the grant are reviewed and approved by management. The expense report is submitted for reimbursement to the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Association prepares its financial statements using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit organizations.

Adoption of New Accounting Standards – In June 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326); Measurement of Credit Losses on Financial Instruments, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB Accounting Standards Codification (ASC) Topic 326 were grants and other receivables.

The Association adopted the standard effective July 1, 2023. The impact of the adoption was not material to the financial statements and primarily resulted in updated disclosures.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash – Cash consists of funds in checking and saving accounts.

Grants and Other Receivable and Allowances for Credit Losses – Grants receivable are recognized when an unconditional promise to give is made by a donor. It also includes amounts due from the government for cost reimbursement or performance grants. Assessments billed but not transmitted by the City at year end are recorded as receivables. When indicated, grants and other receivables are presented net of allowance for credit losses resulting from the donors or customers inability to make the required payments. The allowance for credit losses is based on historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. As of June 30, 2024, the allowance for credit losses amounted to $60,475. Receivables are written off against the allowance when the receivables will not be collected.

Leasehold Improvement – Leasehold improvement is stated at cost less accumulated amortization. Leasehold is amortized on a straight-line over the life of the improvement or the term of the lease, whichever is shorter. When assets are retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals or improvements are capitalized.

Right-of-Use Asset and Lease Liability – Right-of-use asset and the related lease liability are recognized at the lease commencement date and represent the right to use an underlying asset and lease obligations for the lease term. Right-of-use assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-of-use asset is amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method.

Net Assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available for use to support operations. The only limits on the use of these net assets are the broad limits resulting to the nature of the Association, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with other parties that are entered into in the course of its operations.

Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary, and the restriction will expire when the resources are used in accordance with the donor's instruction or when the stipulated time has lapsed. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The Association must continue to use the resources in accordance with the donor's instruction. The Association's unspent contributions are included in this class if the donor limited their use.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

Classification of Transactions – All revenues, contributions, interest and other income are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. 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 restriction to net assets without donor restrictions. These reclassifications are reported in the accompanying statements of activities as net assets released from restrictions. All expenses and net losses are reported as a decrease in the net assets without donor restrictions.

Assessments – Revenue from the special assessment is recognized when the special assessments imposed by the City become due and enforceable for collection by the City Assessor for the period during which the Association provides services to the members of the Landside District. Program service revenue is recognized over the period that service is provided.

Contributions – Contributions, including unconditional promises to give, are recognized as support upon notification of awards or contribution. All contributions are reported as increases in net assets without donor restrictions unless the use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Grant Revenue – Grant revenue, including government grants, is recognized when the qualifying costs are incurred for cost reimbursement grants or contracts or when the unit of service is provided for performance grants. Government grants are considered non-reciprocal arrangements, meaning the granting agency has not received a direct benefit in exchange for the resources provided. Government grants are subject to review by grantor agencies. The review could result in disallowance of expenditures under the term of the grant or reduction of future grant funds. The Association's management believes that costs ultimately disallowed, if any, would not be material to the financial statements. Funds received from conditional contributions are recognized as refundable advances until the condition is substantially met (cost is incurred or when services are provided).

Contribution of Nonfinancial Assets – A few organizations have donated services and materials to the Association. The Association also received discounted rent and meeting spaces to carry on its activities. Donated material and services are recorded as support and expenses or assets in the accompanying financial statements at their fair value at the date of donation. Donated services are recognized as a contribution if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

Other Income – Revenues from programs, interest and other income are recognized when earned.

Compensated Absences – Accumulated paid time off is accrued when earned. As of June 30, 2024, the liability for employees for compensated absences was $14,073.

Expenses Allocation by Function – The financial statements report certain natural categories of operating expenses that are attributable to more than one program or supporting function. The Association incurs expenses that are directly related to and can be assigned to specific programs. Costs which are not specifically attributable to a specific program or general administration, are allocated by management on a consistent basis among programs and general administration based on the following basis:

Employment Costs	Time and effort
Other expenses	Based on square footage

Operating Leases – The Association entered into a noncancellable operating lease agreement for office spaces. The lease liability and ROU asset represent its lease obligations and rights to use the leased asset over the period of the lease and are recognized when the Association enters into the lease. The lease payments are discounted using a rate determined when the lease is recognized. Since the Association's leases do not provide a stated rate, the Association uses a risk free rate based on the information available at the commencement date in determining the present value of lease payments. The related operating lease ROU asset may differ from the operating lease liability due to deferred or prepaid lease payments. There are no lease incentives. The Association has elected to apply the short-term lease exemption for all leases with a term of 12 months or less to not recognized the asset and liability for these leases. The Association records rental expenses on a straight-line basis over the base, noncancelable lease term.

Income Tax Status – The Association qualifies as a tax-exempt organization under the provisions of Section 501(c)(3) of the internal Revenue Code and under Section 23701(e) of the California Revenue and Taxation Code and is therefore generally exempt from federal and state income taxes. Income taxes are payable, however, on revenue from sources unrelated to its tax-exempt purpose. There were no penalties or interest assessments by any government agency recorded in the financial statements during the year. In addition, the Association has not taken an unsubstantiated tax position that would require provision of liability under ASC Topic 740, Income Taxes**.**

Fair Value Measurement – The Association is required to disclose the estimated fair values of its financial instruments. The fair value estimates presented herein are based on relevant information available to management as of June 30, 2024. Because the reporting requirements exclude certain financial instruments and all non-financial instruments, the aggregate fair value amounts presented herein do not represent management's estimate of the underlying value of the Association.

The Association's financial instruments consist principally of cash, receivables, investments, and accounts payable and accrued liabilities.

As defined in Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, fair value is 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 (an exit price methodology). ASC Topic 820 establishes a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels, which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information.

Concentration of Credit Risk – Financial instruments that potentially subject the Association to concentration of credit risk consist principally of deposits in financial institutions and trade receivables. The Association maintains cash balances at several financial institutions, and each is insured by the Federal Deposit Insurance Corporation up to $250,000. The Association's deposit accounts may exceed $250,000. The Association periodically reviews its cash policies.

3. GRANTS AND OTHER RECEIVABLE

Grants and other receivable as of June 30, 2024, consist of:

Receivables from:	
Portside District assessment	$ 60,475
Landside District assessments	14,097
Retail Strategy grant	25,428
	100,000
Allowance for credit losses	(60,475)
	$ 39,525

As discussed in Note 1, Portside District was disestablished on December 31, 2020, and the related receivables are provided for with an allowance for credit losses.

The analysis of the allowance for credit losses follows:

Allowance for credit losses at beginning of year	$ 60,475
Provision for credit losses	-
Write-off	-
Allowance for credit losses at end of year	$ 60,475

4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 1,152,715
Receivables	39,525
Total financial assets	1,192,240
Less: refundable advances	67,016
Amount available for general expenditures within one year	$ 1,125,224

5. NOTE PAYABLE AND LINE OF CREDIT ARRANGEMENT

The Association had a revolving line of credit arrangement with a bank which expired on April 23, 2025. The arrangement allows borrowing of up to $235,000. Borrowing under the revolving line of credit bears a variable interest rate of the prime rate plus 0.75%. The arrangement is secured by all assets of the Association.

As of June 30, 2023, the total borrowing under this arrangement amounted to $70,000. The note payable was paid in full on August 18, 2024. The effective interest rate of the note payable is 9% and interest amounted to $850 for the year ended June 30, 2024. No balances were outstanding as of June 30, 2024.

6. RISK AND UNCERTAINTIES

Special benefits assessments received under a contract with the City and County of San Francisco represent approximately 47% of the Association's revenue. Under the terms of the contract, the City can suspend distributions and ultimately terminate the contract if the Association fails to provide adequate services to the Landside District. The contract expires on December 31, 2035, but could be terminated at an earlier date if the Fisherman's Wharf Community Landside Benefit District was disestablished by a vote of more than 50% of the assessed members.

7. CONTRIBUTION OF NONFINANCIAL ASSETS

For the year ended June 30, 2024, contributed financial assets recognized in the statement of activities included the following:

	Revenue Recognized	Usage in Programs/Activities	Donor Restrictions
Contribution of nonfinancial assets:			
Use of facilities (Rent)	$ 22,000	General Administrative	None
Advertising services	120,952	Marketing and Events	None
	$ 142,952		

The fair value of the use of facilities is based on the area multiplied by the average rent rate per square foot and the fair value of the advertising services is based on the current price charged by the donor to its customers.

8. EMPLOYEE RETIREMENT BENEFITS

The Association has a defined contribution pension plan which qualifies under Section 401(k) of the Internal Revenue Code (the Code) and permits salaried employees over the age of 18 and have been employed for at least 12 months to voluntarily contribute up to the maximum allowed under the Code. The employer contributions are discretionary and was $10,565 during the years ended June 30, 2024.

9. LEASE COMMITMENTS

In March 2024, the Association signed a five-year office lease. At the lease commencement date, the Association recognized $132,574 in operating right-of-use asset and associated operating lease liabilities, based on the present value of the expected operating lease payments.

The Association's lease agreements may contain variable lease payments such as common area charges. Variable lease costs are expensed as incurred on the statement of activities. The Association does not remeasure lease liabilities as a result of changes to variable lease payments. The Association's lease agreement does not contain any residual value guarantees or restrictive covenants.

The following table presents the components of rent expense for operating and finance leases for the year ended June 30, 2024:

Operating lease cost	$	4,777
Short-term lease cost		8,253
Variable lease cost		4,955
Total lease cost		17,985
Contributed use of facilities		22,000
	$	39,985

The remaining lease term of the operating lease is 4.83 years, and the discount rate used is 4.64%.

The following table presents a maturity analysis of the Association's operating lease liabilities as of June 30, 2023:

June 30, 2025	$	28,136
June 30, 2026		28,980
June 30, 2027		29,849
June 30, 2028		30,745
June 30, 2029		26,258
Total future lease payments		143,968
Less imputed interest		15,060
	$	128,908

10. SUBSEQUENT EVENTS

The Association has evaluated subsequent events and transactions for potential recognition or disclosure through October 18, 2024, the date the financial statements were available to be issued.