ECONOMIC DEVELOPMENT ON THIRD
(EDOT)

FINANCIAL STATEMENTS

DECEMBER 31, 2026

(With Independent Auditors' Report Thereon)

KPM Accounting & Management Solutions
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ECONOMIC DEVELOPMENT ON THIRD
(EDOT)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Economic Development On Third
San Francisco, CA 94124

Opinion

We have audited the accompanying financial statements of Economic Development On Third ("EDOT"), which comprise the statement of financial position as of December 31, 2025, 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 Economic Development On Third ("EDOT") as of December 31, 2025, 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 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 EDOT 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 EDOT'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 auditors' 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.

Auditor's Responsibilities for the Audit of the Financial Statements - 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 EDOT'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 EDOT'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.

Other Matters:

Report on Summarized Comparative Information

We have previously audited EDOT's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2025, is consistent, in all material respects, with the December 31, 2025, audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2026, on our consideration of EDOT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of EDOT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EDOT's internal control over financial reporting and compliance.

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San Ramon, California
September 1, 2026

ECONOMIC DEVELOPMENT ON THIRD
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(With comparative financial information for the year ended December 31, 2024)

ASSETS		
Current assets:		
Cash and cash equivalents	$ 526,533	$ 585,156
City and county grants receivable (Note 3)	110,155	78,633
Other receivable	760	-
Prepaid expenses	5,184	4,334
Total current assets	642,632	668,123
Other assets:		
Deposits	6,500	6,500
Right-of-use asset, operating leases (Note 5)	167,588	267,130
Total other assets	174,088	273,630
Total assets	$ 816,720	$ 941,753
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 14,058	$ 56,910
Lease liability - operating leases, current portion (Note 5)	80,539	115,102
Total current liabilities	94,597	172,012
Long-term liabilities:		
Lease liability - operating leases, net of current portion (Note 5)	86,849	152,956
Total liabilities	181,446	324,968
Net assets:		
Without donor restrictions	635,274	608,785
With donor restrictions (Note 7)	-	8,000
Total net assets	635,274	616,785
Total liabilities and net assets	$ 816,720	$ 941,753

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT ON THIRD
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025
(With summarized comparative financial information for the year ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Revenue, support and other income				
City and county grants	$ 526,877	$ -	$ 526,877	$ 820,701
Contributions	3,047	-	3,047	80,800
Rental income	74,512	-	74,512	89,650
Farmers market sales	-	-	-	7,213
Miscellaneous income	2,123	-	2,123	9,200
Interest income	3,138	-	3,138	-
Other income - lease termination fee (Note 6)	-	-	-	175,000
Net assets released from restrictions (Note 7)	8,000	(8,000)	-	-
Total support and income	617,697	(8,000)	609,697	1,182,564
Expenses:				
Program services:	538,087	-	538,087	775,682
Economic development				
Supporting services:				
Management and general	53,121	-	53,121	40,940
Total expenses	591,208	-	591,208	816,622
Change in net assets	26,489	(8,000)	18,489	365,942
Net assets, beginning of year	608,785	8,000	616,785	250,843
Net assets, end of year	$ 635,274	$ -	$ 635,274	$ 616,785

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT ON THIRD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(With comparative financial information for the year ended December 31, 2024)

	Program Services	Supporting Services		
	Economic Development	Management and General	2025 Total Expenses	2024 Total Expenses
Salaries and wages	$ 114,000	$ 6,000	$ 120,000	$ 120,000
Payroll taxes	8,874	467	9,341	9,355
Employee benefits	1,921	101	2,022	1,943
Total personnel	124,795	6,568	131,363	131,298
Advertising and marketing	19,154	588	19,742	12,173
Bank charges and fees	-	66	66	124
Bayview Makers Kitchen	101,860	-	101,860	291,768
Consulting and contractors	121,338	-	121,338	31,713
Emerging entrepreneur	-	-	-	20,550
Facade program	-	-	-	4,626
Insurance	4,753	250	5,003	6,108
Legal & professional services	14,850	790	15,640	11,294
Meals, parking and travel	1,357	7,188	8,545	5,393
Office supplies and software	1,483	8,952	10,435	14,572
Other business expenses	-	1,399	1,399	2,040
Payroll processing fee	4,104	-	4,104	3,853
Phoenix program	-	-	-	3,000
Postage and printing	1,288	179	1,467	1,033
Program supplies	11,311	-	11,311	2,997
Rent and lease	86,916	1,025	87,941	155,183
Repairs and maintenance	18,377	1,967	20,344	15,183
SF Shines - mini grant	-	-	-	3,300
Sponsorship	7,000	20,000	27,000	58,232
Taxes and licenses	-	3,184	3,184	10,163
Telephone, internet and website	5,625	728	6,353	6,068
Training	-	-	-	260
Utilities	13,876	237	14,113	25,691
Total functional expenses	$ 538,087	$ 53,121	$ 591,208	$ 816,622

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT ON THIRD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
(With comparative financial information for the year ended December 31, 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 18,489	$ 365,942
Adjustments to reconcile change in net assets to net cash used for operating activities		
(Increase) decrease in assets:		
City and county grants receivable	(31,522)	(77,633)
Right-of-use asset, operating lease	99,542	(267,130)
Deposits	-	4,900
Other receivable	(760)	-
Prepaid expenses	(850)	(4,334)
Increase (decrease) in liabilities:		
Accounts payable	(42,852)	56,710
Lease liability - operating lease	(100,670)	268,058
Net cash (used in) / provided by operating activities	(58,623)	346,513
Net (decrease) / increase in cash and cash equivalents	(58,623)	346,513
Cash and cash equivalents, beginning of year	585,156	238,643
Cash and cash equivalents, end of year	$ 526,533	$ 585,156

See accompanying notes to financial statements.

(1) NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

In June 2016, Economic Development on Third (EDOT), was organized under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. EDOT was determined to be exempt from federal income tax and California franchise tax under Internal Revenue Code (IRC) section 501(c)(3) and under the provisions of 23701(d) of the California Revenue and Taxation Code, respectively.

Mission

EDOT is focused on intentional, equitable business development in the Bayview Hunters Point region of San Francisco. EDOT's mission and vision are focused on the economic development of the 3rd Street corridor.

(2) SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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 (US GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor- imposed restrictions.

(b) Basis of Presentation

EDOT’s net assets and changes thereto are classified and reported as follows:

- Net assets without donor restrictions – consists of amounts that are available for use in carrying out the supporting activities of EDOT and are not subject to donor-imposed stipulations.
- Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that December or will be met, either by actions of EDOT and/or passage of time. When a restriction is satisfied, the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(c) Cash and Cash Equivalents

For purposes of the statements of cash flows, EDOT considers all highly liquid investments available for current use with an initial maturity of 90 days or less to be cash equivalents. Cash and cash equivalents include $526,533 and $585,156 in cash in two local banks for the years ended December 31, 2025 and 2024, respectively.

(d) Concentrations

EDOT maintains cash balances with two financial institution which at times during the year exceeded the Federal Deposit Insurance Corporation insurance limit. Management believes the risk in these situations to be minimal.

(2) SIGNIFICANT ACCOUNTING POLICIES – continued

(e) Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

(f) City and County Grants Receivable

City and county grants receivable represent monies from grants due to EDOT for expenditures incurred during the year but not yet reimbursed. The city and county grants receivable totaled $110,915 and $78,633 for the years ended December 31, 2025 and 2024, respectively. *Refer to Note (3)*

(g) Revenue and Revenue Recognition

EDOT's revenue is derived from state and local grants, contributions and rental income. The state and local grants are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when EDOT has incurred expenditures in compliance with specific contract or grant provisions.

Contribution revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets.

Rental Income is from local, long time vacant properties to be rehabilitated and matched to businesses that want to locate in Bayview. In the last two years alone, over 12 new businesses have opened on the 3rd Street corridor with over half of those belonging to African American first-time entrepreneurs. According to GAAP rental income is recorded when earned, not necessarily when received. This means that rental payments are recognized as income in the month the unit is occupied. Rental income totaled $74,512 and $89,650 for the years ended December 31, 2025 and 2024, respectively.

(h) Right-of-Use Assets and Lease Liabilities – ASC 842

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received). EDOT is a lessee in noncancellable operating leases for four building spaces. Operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recognized when incurred.

EDOT excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy and recognizes rent expense on a straight-line basis over the lease term.

(2) SIGNIFICANT ACCOUNTING POLICIES – continued

(i) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of EDOT.

(j) Income Taxes

EDOT is a qualified EDOT exempt from Federal income S California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

(k) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets
Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets
Level 3 inputs - estimates using the best information available when there is little or no market

(3) CITY AND COUNTY GRANTS RECEIVABLE

City and county grants receivable on December 31, 2025 and 2024, consist of the following:

	2025	2024
City and county of San Francisco	$ 110,155	$ 70,633
Bayview/Ruth Williams Opera House, Inc.	-	8,000
Total city and county grants receivable	$ 110,155	$ 78,633

Management states that all outstanding city and county grants receivable are deemed collectable, therefore an allowance for doubtful accounts is unnecessary.

(4) LIQUIDITY AND AVAILABILITY

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

EDOT's financial assets available within one year to meet cash needs for general and fixed operating expenses on December 31, 2025 are as follows:

Cash and cash equivalents	$ 526,533
City and county grants receivable	110,155
Other receivable	760
Financial assets available within one year to meet cash needs	$ 637,448

EDOT depends on monthly rental income and drawdowns from the City and County of San Francisco grants to cover their monthly budgeted expenditures.

(5) RIGHT-OF-USE OPERTING LEASES UNDER ASC 842

EDOT leases its office space under long term (more than one year) operating lease agreements. The Right-of-Use assets and liabilities on December 31, 2025 consist of the following:

Location	Lease Start	Lease End	Monthly Rate	Weighted Avg Lease Term (years)	Weighted Avg Discount rate
4618 Third St	10/01/2024	9/30/2029	$ 3,000	4.75 years	2.0286%
Space 5600 & 5668	11/01/2021	10/31/2025	2,130	.83 years	0.2739%
4100 3rd St	10/01/2022	9/30/2026	4,371	1.75 years	1.1443%
5500 3rd Avenue	3/01/2024	2/28/2025	2,320	.16 years	0.0633%

Future minimum lease payments on December 31,

2026	$ 80,539
2027	36,000
2028	36,000
2029	27,000
Total lease liability before discount	179,539
Less: discount	(12,151)
Total lease liability after discount	167,388
Less: lease liability – current portion	(80,539)
lease liability net of current portion	$ 86,849

(6) NET ASSETS WITH DONOR RESTRICTIONS AND RELEASE OF RESTRICTION

Name	1/01/2025 Balance	Additions	Release Restriction	12/31/2025 Balance
Bayview/Ruth Williams Opera House, Inc.	$ 8,000	-	(8,000)	$ -

(7) SUBSEQUENT EVENTS

EDOT's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through September 1, 2026 which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year's financial statements.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITNG STANDARDS

To the Board of Directors
Economic Development On Third
San Francisco, CA 94124

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Economic Development On Third ("EDOT"), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 1, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered EDOT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EDOT's internal control. Accordingly, we do not express an opinion on the effectiveness of EDOT's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether EDOT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

To the Board of Directors
Economic Development On Third

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM Accounting & Management Solutions

KPM Accounting & Management Solutions
San Ramon, CA
September 1, 2026