



*Report of Independent Auditors and  
Financial Statements*

**Yerba Buena Community Benefit District**

*June 30, 2021 and 2020*

## Table of Contents

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REPORT OF INDEPENDENT AUDITORS .....	1
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### FINANCIAL STATEMENTS

Statements of Financial Position .....	4
Statements of Activities and Changes in Net Assets .....	5
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## **Report of Independent Auditors**

To the Board of Directors  
Yerba Buena Community Benefit District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Yerba Buena Community Benefit District, which comprise the statements of financial position, as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yerba Buena Community Benefit District, as of June 30, 2021 and 2020, 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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
September 23, 2021

## **Financial Statements**

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**Yerba Buena Community Benefit District**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
ASSETS		
Cash and cash equivalents	\$ 4,742,781	\$ 4,394,119
Certificates of deposit	-	248,682
Accounts receivable, net	11,000	-
Prepaid expenses	33,524	25,078
Capital assets, net	<u>240,077</u>	<u>297,748</u>
Total assets	<u>\$ 5,027,382</u>	<u>\$ 4,965,627</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 177,433	\$ 196,289
Accrued vacation	31,221	27,971
Paycheck Protection Program loan	<u>84,992</u>	<u>-</u>
Total current liabilities	<u>293,646</u>	<u>224,260</u>
Total liabilities	<u>293,646</u>	<u>224,260</u>
NET ASSETS		
Without donor restrictions	4,730,386	4,646,839
With donor restrictions	<u>3,350</u>	<u>94,528</u>
Total net assets	<u>4,733,736</u>	<u>4,741,367</u>
Total liabilities and net assets	<u>\$ 5,027,382</u>	<u>\$ 4,965,627</u>

**Yerba Buena Community Benefit District**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Assessment revenue	\$ 3,143,384	\$ -	\$ 3,143,384	\$ 3,176,246	\$ -	\$ 3,176,246
Contributions	41,514	19,000	60,514	29,649	350	29,999
Other income	48,569	-	48,569	47,880	-	47,880
Investment income	675	-	675	20,023	-	20,023
Net assets released from restrictions	110,178	(110,178)	-	197,835	(197,835)	-
Total support and revenue	3,344,320	(91,178)	3,253,142	3,471,633	(197,485)	3,274,148
<b>EXPENSES</b>						
Program services	2,839,731	-	2,839,731	2,953,417	-	2,953,417
Supporting services:						
Management and operations	379,098	-	379,098	393,477	-	393,477
Fundraising	41,944	-	41,944	40,025	-	40,025
Total expenses	3,260,773	-	3,260,773	3,386,919	-	3,386,919
<b>CHANGES IN NET ASSETS</b>	83,547	(91,178)	(7,631)	84,714	(197,485)	(112,771)
<b>NET ASSETS, beginning of year</b>	4,646,839	94,528	4,741,367	4,562,125	292,013	4,854,138
<b>NET ASSETS, end of year</b>	<u>\$ 4,730,386</u>	<u>\$ 3,350</u>	<u>\$ 4,733,736</u>	<u>\$ 4,646,839</u>	<u>\$ 94,528</u>	<u>\$ 4,741,367</u>

**Yerba Buena Community Benefit District**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**

	Program Services					Supporting Services		
	Cleaning and Streetscape Improvements	Safety and Security	Branding, Activation and Marketing	Sponsored Projects	Total	Management and Operations	Fundraising	Total
EXPENSES								
Community guides	\$ -	\$ 771,731	\$ -	\$ -	\$ 771,731	\$ -	\$ -	\$ 771,731
Cleaning contract	779,707	-	-	-	779,707	-	-	779,707
Public safety	-	423,065	-	-	423,065	-	-	423,065
Salaries and benefits	83,933	94,862	129,367	-	308,162	192,619	41,944	542,725
Consulting fees	-	-	1,400	16,500	17,900	95,422	-	113,322
Grants	-	15,500	84,392	-	99,892	-	-	99,892
Events	-	-	2,811	-	2,811	400	-	3,211
Greening expenses	130,803	-	-	-	130,803	-	-	130,803
Marketing and branding	-	-	33,913	-	33,913	-	-	33,913
Rent and utilities	8,538	8,926	8,732	-	26,196	25,076	-	51,272
In-kind goods and services	8,464	11,250	-	-	19,714	18,800	-	38,514
Depreciation and amortization	-	-	-	-	-	57,671	-	57,671
Other expenses	200,577	6,120	6,686	-	213,383	36,718	-	250,101
Office supplies and postage	-	-	5,576	-	5,576	7,199	-	12,775
Bad debt recovery	-	-	-	-	-	(54,807)	-	(54,807)
Uniforms	3,439	3,439	-	-	6,878	-	-	6,878
Total expenses	<u>\$ 1,215,461</u>	<u>\$ 1,334,893</u>	<u>\$ 272,877</u>	<u>\$ 16,500</u>	<u>\$ 2,839,731</u>	<u>\$ 379,098</u>	<u>\$ 41,944</u>	<u>\$ 3,260,773</u>



**Yerba Buena Community Benefit District**  
**Statement of Functional Expenses (Continued)**  
**Year Ended June 30, 2020**

	Program Services					Supporting Services		
	Cleaning and Streetscape Improvements	Safety and Security	Branding, Activation and Marketing	Sponsored Projects	Total	Management and Operations	Fundraising	Total
EXPENSES								
Community guides	\$ -	\$ 760,745	\$ -	\$ -	\$ 760,745	\$ -	\$ -	\$ 760,745
Cleaning contract	786,262	-	-	-	786,262	-	-	786,262
Public safety	-	461,649	-	-	461,649	-	-	461,649
Salaries and benefits	85,012	95,885	130,498	-	311,395	172,555	40,025	523,975
Consulting fees	36,756	-	5,880	-	42,636	85,227	-	127,863
Grants	20,000	15,000	112,000	-	147,000	-	-	147,000
Events	-	-	111,911	-	111,911	1,000	-	112,911
Greening expenses	15,655	-	-	-	15,655	-	-	15,655
Marketing and branding	-	-	59,661	-	59,661	-	-	59,661
Rent and utilities	9,717	10,159	9,938	-	29,814	21,125	-	50,939
In-kind goods and services	-	5,029	8,000	-	13,029	12,575	-	25,604
Depreciation and amortization	-	-	-	-	-	49,492	-	49,492
Other expenses	177,358	-	6,641	5,312	189,311	26,124	-	215,435
Office supplies and postage	-	-	4,690	-	4,690	10,864	-	15,554
Bad debt expense	-	-	-	-	-	14,515	-	14,515
Uniforms	8,733	10,926	-	-	19,659	-	-	19,659
Total expenses	<u>\$ 1,139,493</u>	<u>\$ 1,359,393</u>	<u>\$ 449,219</u>	<u>\$ 5,312</u>	<u>\$ 2,953,417</u>	<u>\$ 393,477</u>	<u>\$ 40,025</u>	<u>\$ 3,386,919</u>

**Yerba Buena Community Benefit District**  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

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	2021	2020
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Changes in net assets	\$ (7,631)	\$ (112,771)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Unrealized loss	1,158	4,092
Change in allowance for bad debt	(54,807)	14,515
Depreciation and amortization	57,671	49,492
Changes in operating assets and liabilities:		
Assessments receivable	43,807	(13,971)
Prepaid expenses	(8,446)	(901)
Accounts payable and accrued expenses	(18,856)	(12,681)
Accrued vacation	3,250	7,549
Net cash provided by (used in) operating activities	16,146	(64,676)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Proceeds on maturity of certificates of deposit	247,524	744,476
Purchase of capital assets	-	(3,535)
Proceeds from loan receivable	-	300,000
Net cash provided by investing activities	247,524	1,040,941
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Borrowings on Paycheck Protection Program loan	84,992	-
Net cash provided by financing activities	84,992	-
NET CHANGES IN CASH AND CASH EQUIVALENTS	348,662	976,265
CASH AND CASH EQUIVALENTS, beginning of year	4,394,119	3,417,854
CASH AND CASH EQUIVALENTS, end of year	\$ 4,742,781	\$ 4,394,119

# Yerba Buena Community Benefit District

## Notes to Financial Statements

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### NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and nature of activities** – The Yerba Buena Community Benefit District (the “YBCBD”) was formed in 2008 by property owners to improve the quality of life in the neighborhood by making the area cleaner, safer, and more vibrant. The YBCBD has a contract with the City and County of San Francisco (the “City”) for a term of 15 years, expiring on June 30, 2030. The YBCBD stretches from about Second Street to Fifth Street and Market Street to Harrison Street in San Francisco, California.

The YBCBD exists to implement programs to create a neighborhood that is safer, cleaner, greener and a better place to conduct business and live. These programs and services are funded by district property owners in the Yerba Buena neighborhood.

The YBCBD’s mission statement is as follows:

The Yerba Buena Community Benefit District will advance the quality of life for residents and visitors in the Yerba Buena Neighborhood and San Francisco on an ongoing basis by fostering a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of our economic base.

Programs and services provided by the YBCBD include:

- **Clean Team** – The Clean Team (“Team”) works to improve the appearance and cleanliness of the district daily from 6:00am to 9:00pm. The Team steam cleans all sidewalks in the district once or twice a month, works daily on sidewalk cleaning and gutter sweeping, and removes trash on a frequent basis. The Team also pulls weeds, cleans tree wells, removes graffiti, and paints poles and mailboxes.
- **Community Guides Program** – The Community Guides (“Guides”) serve as goodwill ambassadors in the neighborhood. Guides provide information, directions, and connect those who need help to the right social services. Guides report maintenance issues such as areas in need of cleaning. Guides do not provide emergency response, but will call emergency dispatch to report issues. Up to six guides work 6:00am to midnight, seven days a week. The YBCBD also engages two Social Services Specialists to work with the street population and connect them to services.
- **SFPD 10B Officer** – In addition to existing police services, the San Francisco Police Department (“SFPD”) provides officers to the YBCBD under City Administrative Code Section 10B. These officers are funded by the YBCBD and work 14 hours a day, 7 days a week. The 10B Officer primarily addresses quality of life issues within the neighborhood and within the purview of SFPD, such as issuing citations for drinking, trespassing, permit violations, littering, and pedestrian safety infractions. The additional police presence adds 84 hours per week of police time to the 5,000 hours a week already provided by the Southern District Police Station.
- **Marketing and Branding** – Marketing programs help strengthen the area’s economic viability to make it more inviting to businesses and visitors. The YBCBD established a name and brand for the neighborhood, along with a neighborhood website that lists all businesses, events, and neighborhood news. The YBCBD also coordinates events that bring people to the neighborhood.

# Yerba Buena Community Benefit District

## Notes to Financial Statements

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- **Streetscape Improvements** – Guided by the Yerba Buena Street Life Plan, the YBCBD invests in public realm improvements, including greening, public art, pedestrian, and bicycle improvements, as well as advocates for real public benefits related to neighborhood development projects.
- **Community Benefit Fund** – The YBCBD Community Benefit Fund supports district initiatives by providing small grants to organizations in the neighborhood that help to achieve the mission of the YBCBD.
- **Annie Street Project** – The Annie North Plaza project is made possible through a public private partnership between San Francisco Public Works, the YBCBD, and the adjacent property owners to the plaza. The new design will remove old planters at the intersection of Market Street and Annie Alley to meet several goals of the YBCBD's 2019 Street Life Plan, such as creating more flexible open space, and establishing better connections to alleyways (Annie, Jessie, and Stevenson). The project broke ground in calendar year 2019 and was completed in calendar year 2020.

**Basis of accounting** – The YBCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

**Classification of net assets** – U.S. GAAP requires that YBCBD report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Accordingly, the net assets of the YBCBD are classified and reported as described below:

*Without donor restrictions* – Those net assets and activities which represent the portion of expendable funds that are available to support YBCBD's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes. Board-designated net assets were \$4,730,386 and \$4,646,839 as of June 30, 2021 and 2020, respectively.

*With donor restrictions* – Those net assets and activities which are donor restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets. Those also include (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold, or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

**Fair value of financial instruments** – 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. The carrying amounts of cash and cash equivalents, certificates of deposit, receivables, and accounts payable approximate fair value because of the short-term maturity of these instruments.

**Cash and cash equivalents** – The YBCBD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Certificates of deposit** – The YBCBD's certificates of deposit are valued using maturity and interest rates as observable inputs.

**Accounts receivable** – Accounts receivable represents assessment obligations of local property owners due to the YBCBD. Unpaid receivables do not accrue interest.

## Yerba Buena Community Benefit District

### Notes to Financial Statements

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The YBCBD uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on historical experience and an evaluation of the outstanding receivables at the end of the year. As of June 30, 2021 and 2020, assessments receivable were fully reserved for, and the allowance for uncollectible assessments was \$107,846 and \$162,653, respectively.

Also included in accounts receivable is \$11,000 related to a fee for service contract. Amounts were paid in full during the year ending June 30, 2022.

**Capital assets** – The YBCBD capitalizes acquisitions of capital assets with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Depreciation on furniture and equipment and public art are calculated using the straight-line method based upon estimated useful lives ranging from 3 to 10 years. Website development costs are amortized using the straight-line method over 3 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statements of activities and changes in net assets.

**Impairment of long-lived assets** – Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisal, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. No impairment losses were incurred during the years ended June 30, 2021 and 2020.

**Accrued vacation** – Full-time employees may accrue up to 13.33 hours per month depending on the number of years employed. Part-time employees accrue vacation on a prorated basis. Employees can accrue a maximum of 160 vacation hours. Accrued vacation as of June 30, 2021 and 2020 was \$31,221 and \$27,971, respectively.

**Paycheck Protection Program loan** - The note payable issued pursuant to the Paycheck Protection Program (PPP) administered by the United States Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is recorded in accordance with Accounting Standards Codification (ASC) 470, *Debt*. YBCBD will account for any potential forgiveness of the loan in accordance with ASC 470-50-40 as a debt extinguishment.

In May 2021, YBCBD was granted a loan under the Paycheck Protection Program by the SBA for \$84,992. The loan bears interest at 1% with no payments for the first 10-months. Monthly payments of principal and interest are scheduled to begin in March 2022, and continue through maturity, if required. The loan is subject to partial or full forgiveness if YBCBD uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance. At such a time of any loan forgiveness the amount will be included as other income-debt extinguishment on the statement of activities and changes in net assets.

## Yerba Buena Community Benefit District

### Notes to Financial Statements

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**Assessment revenue** – The YBCBD receives its support primarily from a special assessment levied by the City on properties located within the YBCBD in accordance with City Ordinance. The assessment is recorded by the YBCBD when assessed by the City. The City remits the assessments to the YBCBD as the assessments are collected from the property owners. Interest is not charged on late assessments; however late penalties are charged in accordance with the City's policy.

**Contributions** – The YBCBD recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as support under net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as support under net assets with donor restrictions.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statements of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

**Contributed goods and services** – The YBCBD records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the years ended June 30, 2021 and 2020, the YBCBD received contributed goods and services in the amounts of \$38,514 and \$25,604, respectively.

**Advertising** – The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was \$5,484 and \$24,184, respectively.

**Grants** – Grants are recognized when approved by the Board or Directors, provided the grant is not subject to conditions. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. As of June 30, 2021 and 2020, there were no conditional grants.

**Income taxes** – The YBCBD is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code ("IRC") and §23701d of the California Revenue and Taxation Code, respectively.

The YBCBD recognizes a threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. For tax exempt entities, favorable tax status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The YBCBD's evaluation on June 30, 2021 and 2020 revealed no tax positions that would have a material impact on the financial statements.

The YBCBD's tax returns are subject to examination by federal and state taxing authorities. However, management is unaware of any pending examinations nor are there any in progress.

# Yerba Buena Community Benefit District

## Notes to Financial Statements

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### Concentration of Risk

*Financial instruments* – Financial instruments which potentially subject the YBCBD to concentrations of credit risk consist principally of cash and cash equivalents. The YBCBD maintains its cash in various bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation (“FDIC”) thresholds. The YBCBD has not experienced any losses in such accounts. Management believes that the YBCBD is not exposed to any significant credit risk related to concentrations.

**Contingencies** – The World Health Organization declared the novel coronavirus a public health emergency. YBCBD's operations are concentrated in California, which has restricted gatherings and implemented shelter-in-place restrictions. YBCBD continues normal operations and is monitoring the situation closely, however, given the uncertainty about the situation, management can't estimate the impact to the financial statements.

**Functional allocation of expenses** – The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management. Personnel costs are allocated based on estimated time worked in each program area, or on fundraising or administrative tasks. Other shared costs, such as rent and utilities, are based on estimated full time equivalents assigned to each area.

**Use of estimates** – The preparation of financial statements in conformity with U.S. GAAP 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.

**Subsequent events** – Subsequent events are events or transactions that occur after the statements of financial position date but before the financial statements are available to be issued. The YBCBD recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. The YBCBD's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after the statements of financial position date and before the financial statements were available to be issued.

The YBCBD has evaluated subsequent events through September 23, 2021, which is the date the financial statements were available to be issued.

### NOTE 2 – FAIR VALUE MEASUREMENTS

YBCBD's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. The levels of the fair value hierarchy are as follows:

**Level 1** – Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

# Yerba Buena Community Benefit District

## Notes to Financial Statements

**Level 2** – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

**Level 3** – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect YBCBD's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the valuation methodologies during the years ended June 30, 2021 and 2020.

*Certificates of deposit* – The fair value is based on maturity and interest rates as observable inputs. These securities are classified within Level 2 of the fair value hierarchy.

There were no financial assets measured at fair value on a recurring basis as of June 30, 2021.

The following table provides information about YBCBD's financial assets measured at fair value on a recurring basis as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 248,682	\$ -	\$ 248,682

YBCBD's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. YBCBD had no transfers into or out of levels of the fair value hierarchy during the years ended June 30, 2021 and 2020.

### NOTE 3 – CAPITAL ASSETS

	2021	2020
Public art	\$ 383,497	\$ 352,447
Website development	9,971	32,000
Street furniture	40,424	40,424
Furniture and equipment	25,145	30,940
	459,037	455,811
Less: accumulated depreciation	(218,960)	(163,112)
	240,077	292,699
Construction in progress	-	5,049
Total capital assets	\$ 240,077	\$ 297,748



# Yerba Buena Community Benefit District

## Notes to Financial Statements

### NOTE 4 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30 consisted of the following:

	2021	2020
Board-designated:		
Cleaning and Streetscape Improvements	\$ 2,823,281	\$ 2,551,898
Management and operations	1,397,293	1,552,184
Safety and security	163,693	138,967
Branding, activation, and marketing	106,042	106,042
Sponsored projects:		
Invested in capital assets	240,077	297,748
<b>Total</b>	<b>\$ 4,730,386</b>	<b>\$ 4,646,839</b>

### NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 may be expended for:

	2021	2020
Sponsored projects:		
SF PBID	\$ 3,000	\$ -
Annie Street	-	94,528
Other	350	-
<b>Total</b>	<b>\$ 3,350</b>	<b>\$ 94,528</b>

All net assets with donor restriction are expected to be released by June 30, 2022.

### NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30 were as follows:

	2021	2020
Sponsored projects:		
Annie Street	\$ 94,178	\$ 180,822
SF PBID	16,000	-
Sites Unseen	-	17,013
Other	-	-
<b>Total</b>	<b>\$ 110,178</b>	<b>\$ 197,835</b>

# Yerba Buena Community Benefit District

## Notes to Financial Statements

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### NOTE 7 – GRANTS

The YBCBD distributes annual grants called Community Benefit Fund grants to community organizations providing services, within the district, that support the improvements and activities of the YBCBD. Grant expense for the years ended June 30, 2021 and 2020 was \$99,892 and \$147,000, respectively. There were no grants payable at June 30, 2021 and 2020.

### NOTE 8 – RETIREMENT PLAN

The YBCBD established an employer noncontributory defined contribution retirement plan (the “Plan”) for employees. Eligible employees may make voluntary contributions by salary reduction to the Plan, up to the limit allowed by IRC regulations.

### NOTE 9 – COMMITMENTS

The YBCBD has a month-to-month operating lease agreement for office space in San Francisco, California.

The YBCBD also is obligated under a noncancelable lease for office equipment that requires monthly lease payments and expires in November 2022.

The following is a schedule of minimum noncancelable lease commitments:

Year Ending December 31,

2022	<u>\$ 12,560</u>
	<u><u>\$ 12,560</u></u>

Rent expense for the years ended June 30, 2021 and 2020 was \$86,835 and \$73,549, respectively.

### NOTE 10 – RELATED-PARTY TRANSACTIONS

The property owner of the building the YBCBD leases for office space is a member of YBCBD’s Board of Directors (the “Board”). Rent paid for the office lease during the years ended June 30, 2021 and 2020 was \$42,736 and \$44,261, respectively.

Members of the Board are also associated with organizations that received Community Benefit Fund grants from the YBCBD. Pursuant to the YBCBD’s conflict of interest policy, all conflicted YBCBD Board members refrain from the decision-making process and abstain from the voting process.

## Yerba Buena Community Benefit District

### Notes to Financial Statements

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The YBCBD has a written conflict of interest policy that requires, among other things, that no member of the Board can participate in any decision in which the member (or an immediate family member) has a material financial interest. Each Board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the YBCBD does business with an entity in which a Board member has a material financial interest. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the YBCBD.

#### NOTE 11 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects YBCBD's financial assets as of June 30:

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 4,742,781	\$ 4,394,119
Certificates of deposit	-	248,682
Assessment receivables, net	11,000	-
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,753,781</u>	<u>\$ 4,642,801</u>

All financial assets are available for general expenditure within one year of June 30, 2021 and 2020. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Yerba Buena Community Benefit District derives approximately 95% of its annual budget from assessment payments from property owners. The target minimum funds available in reserve for the YBCBD is eight months of average operating costs. The calculation of average monthly operating costs is based on the YBCBD's annual budget. Board-designated net assets cover most of the general expenditures of YBCBD within a year.

