

YERBA BUENA
COMMUNITY
BENEFIT
DISTRICT

YBCBD

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

Years Ended June 30, 2015 and 2014

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LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yerba Buena Community Benefit District
San Francisco, California

We have audited the accompanying financial statements of *Yerba Buena Community Benefit District* (the YBCBD), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, 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 audit 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.

To the Board of Directors
Yerba Buena Community Benefit District

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, 2015 and 2014, 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.

Lautze & Lautze

San Francisco, California
August 31, 2015



YERBA BUENA COMMUNITY BENEFIT DISTRICT
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 2,332,158	\$ 2,595,031
Assessments receivable, net	534,486	264,734
Prepaid expenses	14,000	18,893
Capital assets, net	40,069	48,264
Total assets	\$ 2,920,713	\$ 2,926,922
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 179,208	\$ 145,002
Accrued benefits	17,425	15,904
Total liabilities	196,633	160,906
Commitments		
Net assets:		
Unrestricted	2,684,491	2,750,016
Temporarily restricted	39,589	16,000
Total net assets	2,724,080	2,766,016
Total liabilities and net assets	\$ 2,920,713	\$ 2,926,922

YERBA BUENA COMMUNITY BENEFIT DISTRICT
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue, gains and other support:			
Assessment revenue	\$ 2,411,976	\$ -	\$ 2,411,976
Grants	29,500	100,000	129,500
Contributions	66,482	-	66,482
Special events income	17,403	-	17,403
Interest and other income	6,096	-	6,096
Net assets released from restrictions	76,411	(76,411)	-
	2,607,868	23,589	2,631,457
Expenses:			
Program services	2,244,933	-	2,244,933
Supporting services:			
Management and administrative	403,170	-	403,170
Fundraising	25,290	-	25,290
	2,673,393	-	2,673,393
Total expenses	2,673,393	-	2,673,393
Change in net assets	(65,525)	23,589	(41,936)
Net assets:			
Beginning of year	2,750,016	16,000	2,766,016
End of year	\$ 2,684,491	\$ 39,589	\$ 2,724,080

YERBA BUENA COMMUNITY BENEFIT DISTRICT
STATEMENTS OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue, gains and other support:			
Assessment revenue	\$ 2,406,463	\$ -	\$ 2,406,463
Contributions	88,949	-	88,949
Grants	5,100	17,901	23,001
Interest and other income	12,433	-	12,433
Special events income	200	-	200
Net assets released from restriction	17,601	(17,601)	-
Total revenue, gains and other support	2,530,746	300	2,531,046
Expenses:			
Program services	2,073,246	-	2,073,246
Supporting services:			
Management and administrative	332,819	-	332,819
Fundraising	28,163	-	28,163
Total expenses	2,434,228	-	2,434,228
Change in net assets	96,518	300	96,818
Net assets:			
Beginning of year	2,653,498	15,700	2,669,198
End of year	\$ 2,750,016	\$ 16,000	\$ 2,766,016

YERBA BUENA COMMUNITY BENEFIT DISTRICT
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Program Services				Supporting Services		
	Sidewalk Operations and Beautification	District Identity and Streetscape Improvements	Fiscally Sponsored Projects	Total	Management and Administrative	Fundraising	Total
Cleaning services	\$ 568,032	\$ -	\$ -	\$ 568,032	\$ -	\$ -	\$ 568,032
Community guides	455,580	-	-	455,580	-	-	455,580
Salaries and benefits	111,350	88,729	-	200,079	112,317	23,501	335,897
Police services	318,268	-	-	318,268	-	-	318,268
Consulting fees	1,259	65,014	55,755	122,028	149,193	-	271,221
Greening	227,111	-	-	227,111	-	-	227,111
Grants	5,000	99,360	-	104,360	-	-	104,360
Marketing and branding	-	103,149	-	103,149	-	-	103,149
Special events	-	70,718	4,556	75,274	487	-	75,761
In-kind goods and services	8,200	974	-	9,174	55,608	-	64,782
Rent and utilities	-	-	-	-	42,840	-	42,840
Streetscape management	34,875	-	-	34,875	-	-	34,875
Payroll taxes	7,726	6,096	-	13,822	7,263	1,614	22,699
Office supplies and postage	-	5,058	-	5,058	9,060	-	14,118
Depreciation and amortization	-	-	-	-	8,195	-	8,195
Website support	-	4,273	100	4,373	3,649	-	8,022
Insurance	-	-	-	-	6,170	-	6,170
Payroll processing fees	-	-	-	-	4,675	-	4,675
Other contract expenses	3,750	-	-	3,750	-	-	3,750
Dues and subscriptions	-	-	-	-	3,444	-	3,444
Other expenses	-	-	-	-	269	175	444
	\$ 1,741,151	\$ 443,371	\$ 60,411	\$ 2,244,933	\$ 403,170	\$ 25,290	\$ 2,673,393

YERBA BUENA COMMUNITY BENEFIT DISTRICT
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year Ended June 30, 2014

	Program Services			Supporting Services		
	Sidewalk Operations and Beautification	District Identity and Streetscape Improvements	Total	Management and Administrative	Fundraising	Total
Cleaning services	\$ 568,272	\$ -	\$ 568,272	\$ -	\$ -	\$ 568,272
Community guides	455,580	-	455,580	-	-	455,580
Police services	323,567	-	323,567	-	-	323,567
Salaries and benefits	92,419	69,698	162,117	110,849	26,288	299,254
Grants	18,740	126,000	144,740	-	-	144,740
Greening	118,134	-	118,134	-	-	118,134
Consulting fees	-	27,248	27,248	88,177	-	115,425
In-kind goods and services	3,900	55,509	59,409	28,189	-	87,598
Special events	-	67,188	67,188	-	-	67,188
Marketing and branding	-	51,148	51,148	-	-	51,148
Rent and utilities	433	-	433	40,491	-	40,924
Streetscape management	36,536	-	36,536	-	-	36,536
Depreciation and amortization	-	-	-	27,504	-	27,504
Clean and safe campaign	24,953	-	24,953	-	-	24,953
Payroll taxes	6,581	5,021	11,602	7,932	1,875	21,409
Office supplies and postage	-	2,385	2,385	13,534	-	15,919
Website support	-	9,292	9,292	3,085	-	12,377
Other contract expenses	7,300	-	7,300	-	-	7,300
Insurance	-	-	-	6,393	-	6,393
Uniforms	3,342	-	3,342	-	-	3,342
Dues and subscriptions	-	-	-	2,898	-	2,898
Payroll processing fees	-	-	-	2,792	-	2,792
Other expenses	-	-	-	975	-	975
	\$ 1,659,757	\$ 413,489	\$ 2,073,246	\$ 332,819	\$ 28,163	\$ 2,434,228

YERBA BUENA COMMUNITY BENEFIT DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended June 30,

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (41,936)	\$ 96,818
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	8,195	27,504
(Increase) decrease in assets:		
Assessments receivable	(269,752)	(6,637)
Prepaid expenses	4,893	(5,811)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	34,206	(25,904)
Accrued benefits	1,521	(780)
Net cash provided (used) by operating activities	(262,873)	85,190
Cash flows from investing activities:		
Purchase of capital assets	-	(27,044)
Net cash provided (used) by investing activities	-	(27,044)
Net increase (decrease) in cash and cash equivalents	(262,873)	58,146
Cash and cash equivalents:		
Beginning of year	2,595,031	2,536,885
End of year	\$ 2,332,158	\$ 2,595,031

YERBA BUENA COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

The Yerba Buena Community Benefit District (the YBCBD) was formed in 2008 by property owners to improve the quality of life in the area 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 seven years, expiring on December 31, 2015. On July 31, 2015, the Board of Supervisors approved the resolution to renew the YBCBD's contract for a term of 15 years, expiring on December 31, 2030. The YBCBD stretches from about Second to Fifth and Market to Harrison Streets 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 works to improve the appearance and cleanliness of the district daily from 6:00am to 8:30pm. They steam clean all sidewalks in the district twice a month, work daily on sidewalk cleaning and gutter sweeping, and remove trash on a frequent basis. They also pull weeds, clean tree wells, remove graffiti, and paint poles, mailboxes, and fire plugs.
- **Community Guides Program** - The Community Guides serve as goodwill ambassadors in the neighborhood. Guides provide information, directions, and connect those who need help to the right social services. They report maintenance issues such as areas in need of cleaning. They do not provide emergency response, but will call emergency dispatch to report issues. Up to six guides work weekdays 6:00am to 9:00pm and weekends 8:00am to 10:00pm.
- **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. 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 70 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
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purpose and Organization (Continued)

- **Greening** - Guided by the Yerba Buena Street Life Plan, the YBCBD invests in public realm improvements including greening, pedestrian and bicycle improvements, public art 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 programs in the neighborhood that help to achieve the mission of the YBCBD.
- **Fiscally Sponsored Projects** - During the year ended June 30, 2015, YBCBD began serving as the fiscal sponsor for two projects. One is focused on a neighborhood public art project that aims to locate public art and programming in seven Yerba Buena alleyways. The other is a coalition of neighborhood organizations advocating for the long-term maintenance and preservation of the Yerba Buena Gardens. As the Yerba Buena Gardens transition from a former Redevelopment Agency holding to a City asset, the coalition is collaborating with all stakeholders to secure a vibrant future for the Gardens. YBCBD was granted variance power over such contributions, accordingly, they are recognized as YBCBD contributions.

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.

Classification of Net Assets

U.S. GAAP requires that YBCBD report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the YBCBD are classified and reported as described below:

Unrestricted: 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.

Temporarily Restricted: 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.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (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.

YERBA BUENA COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

As of June 30, 2015 and 2014, the YBCBD did not have any net assets meeting the definition of permanently restricted.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

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.

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.

Assessments Receivable

Assessments receivable represents obligations of local property owners due to the YBCBD. Unpaid receivables do not accrue interest.

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, 2015 and 2014, the allowance for uncollectible assessments was \$283,682.

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 or appraised value at the date of acquisition. Depreciation on furniture and equipment is 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 statement of activities.

YERBA BUENA COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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 earned. 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. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of restriction.

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. Such transactions are recorded as *net assets released from restrictions* and are reported separately from other transactions.

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the YBCBD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The YBCBD reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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, 2015 and 2014, the YBCBD received contributed goods and services in the amounts of \$64,782 and \$87,598, respectively.

Advertising

The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2015 and 2014 was \$62,615 and \$32,841, respectively.

YERBA BUENA COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The YBCBD is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code and §23701f 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, 2015 revealed no tax positions that would have a material impact on the financial statements. The 2011 through 2014 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2010 through 2014 tax years remain subject to examination by the California Franchise Tax Board. The YBCBD does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Concentrations 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 federally insured limits. 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.

Assessments Receivable

As of June 30, 2015 and 2014, 32% and 42% of the assessments receivable were due from two property owners, respectively.

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 functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time by each program.

YERBA BUENA COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

2. CAPITAL ASSETS

Capital assets, net at June 30 consist of the following:

	2015	2014
Website development	\$ 75,012	\$ 75,012
Street furniture	40,424	13,785
Furniture and equipment	5,373	5,373
Less accumulated depreciation and amortization	(80,740)	(72,545)
	40,069	21,625
Construction in progress - benches	-	26,639
	\$ 40,069	\$ 48,264

For the years ended June 30, 2015 and 2014, depreciation and amortization expense was \$8,195 and \$27,504, respectively.

3. UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30 consist of the following:

	2015	2014
Board designated:		
Contingency/Reserve	\$ 1,132,323	\$ 1,100,869
Sidewalk Operations and Beautification	1,069,838	1,220,581
Administration	442,261	380,302
Invested in capital assets	40,069	48,264
	\$ 2,684,491	\$ 2,750,016

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 consist of \$39,052 for Sites Unseen and \$537 for Yerba Buena Gardens. Temporarily restricted net assets at June 30, 2014 consisted of \$16,000 for the 2014-15 Yerba Buena Night.

YERBA BUENA COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

5. NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2015, net assets totaling \$76,411 were released from restriction; \$33,448 released for Sites Unseen, \$26,963 was released for Yerba Buena Gardens, and \$16,000 released for 2014-15 Yerba Buena Night.

During the year ended June 30, 2014, net assets totaling \$17,601 were released from restriction in connection with the 2013-14 Yerba Buena Night, the 2013-14 Yerba Buena Family Day, and the Annie Alley renovations.

6. GRANTS

The YBCBD distributes annual grants called Community Benefits 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, 2015 and 2014 was \$104,360 and \$144,740, respectively.

7. RETIREMENT PLAN

The YBCBD established a defined contribution retirement plan (the Plan) for employees during the year ended June 30, 2015. Effective May 1, 2015, eligible employees may make voluntary contributions by salary reduction to the Plan, up to the limit allowed by law. The YBCBD has opted out of any employer contributions.

8. COMMITMENTS

The YBCBD is obligated under a non-cancelable operating lease agreement for office space in San Francisco, California which expired on August 14, 2015. Subsequent to August 14, 2015, the YBCBD leases its office space on a month-to-month basis.

The YBCBD also leases office equipment with monthly lease payments expiring on December 31, 2015.

The following is a schedule of minimum lease commitments for the year ending June 30:

2016	\$ 5,178
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Rent expense for the years ended June 30, 2015 and 2014 was \$28,587 and \$28,243, respectively.

YERBA BUENA COMMUNITY BENEFIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

9. RELATED PARTY TRANSACTIONS

Members of the YBCBD's Board of Directors (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.

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 he or she (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, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the YBCBD, in accordance with applicable conflict of interest laws. Community Benefit Fund grants paid to related parties for the years ended June 30, 2015 and 2014 totaled, \$45,000 and \$67,500, respectively. At June 30, 2015 and 2014, no amounts were due to related parties.

10. SUBSEQUENT EVENTS

The YBCBD has evaluated all subsequent events through August 31, 2015, the date the financial statements were available to be issued.