



**FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT**

Years Ended June 30, 2012 and 2011

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LAUTZE & LAUTZE  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
YERBA BUENA COMMUNITY BENEFIT DISTRICT  
San Francisco, California

We have audited the accompanying statements of financial position of YERBA BUENA COMMUNITY BENEFIT DISTRICT (the YBCBD) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the YBCBD's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the YBCBD as of June 30, 2011, were audited by other auditors whose report dated September 20, 2011, expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Lautze & Lautze*

San Francisco, California  
August 29, 2012

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**STATEMENTS OF FINANCIAL POSITION**

June 30,

	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,553,515	\$ 2,077,697
Assessments receivable, net	82,065	409,271
Prepaid expenses	11,073	6,772
Capital assets, net	52,578	44,102
Total assets	\$ 2,699,231	\$ 2,537,842
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 159,924	\$ 162,751
Accrued benefits	11,521	5,705
Total liabilities	171,445	168,456
 Commitments		
Net assets:		
Unrestricted	2,512,786	2,369,386
Temporarily restricted	15,000	-
Total net assets	2,527,786	2,369,386
Total liabilities and net assets	\$ 2,699,231	\$ 2,537,842

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**STATEMENTS OF ACTIVITIES**  
Years Ended June 30,

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total Unrestricted
Revenue, gains and other support:				
Assessment revenue	\$ 2,405,445	\$ -	\$ 2,405,445	\$ 2,255,659
Contributions	99,831	-	99,831	28,302
Grants	25,500	15,000	40,500	-
Interest and other income	4,304	-	4,304	1,721
Special events income	1,487	-	1,487	5,385
Total revenue, gains and other support	<u>2,536,567</u>	<u>15,000</u>	<u>2,551,567</u>	<u>2,291,067</u>
Expenses:				
Program services	2,052,230	-	2,052,230	1,905,566
Supporting services:				
Management and administrative	312,240	-	312,240	390,157
Fundraising	28,697	-	28,697	15,027
Total expenses	<u>2,393,167</u>	<u>-</u>	<u>2,393,167</u>	<u>2,310,750</u>
Change in net assets	143,400	15,000	158,400	(19,683)
Net assets:				
Beginning of year	<u>2,369,386</u>	<u>-</u>	<u>2,369,386</u>	<u>2,389,069</u>
End of year	<u><u>\$ 2,512,786</u></u>	<u><u>\$ 15,000</u></u>	<u><u>\$ 2,527,786</u></u>	<u><u>\$ 2,369,386</u></u>

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2012

	Program Services			Supporting Services		
	Sidewalk Operations and Beautification	District Identity and Streetscape Improvements	Total	Management and Administrative	Fundraising	Total
Cleaning services	\$ 568,032	\$ -	\$ 568,032	\$ -	\$ -	\$ 568,032
Community guides	455,580	-	455,580	-	-	455,580
Police services	332,881	-	332,881	-	-	332,881
Salaries and benefits	66,866	53,041	119,907	134,636	19,529	274,072
Grants	130,000	49,200	179,200	-	-	179,200
Greening	123,147	-	123,147	-	-	123,147
Consulting fees	-	19,215	19,215	77,654	-	96,869
In-kind goods and services	40,495	33,568	74,063	13,956	7,812	95,831
Marketing and branding	1,500	78,019	79,519	5,089	-	84,608
Special events	9,867	72,904	82,771	-	-	82,771
Rent and utilities	-	-	-	34,124	-	34,124
Payroll taxes	4,912	3,900	8,812	8,675	1,356	18,843
Depreciation and amortization	-	-	-	18,052	-	18,052
Office supplies and postage	1,166	3,350	4,516	8,412	-	12,928
Insurance	-	-	-	5,559	-	5,559
Uniforms	3,137	-	3,137	-	-	3,137
Payroll processing fees	-	-	-	2,669	-	2,669
Dues and subscriptions	-	-	-	2,411	-	2,411
Donations and contributions	1,450	-	1,450	60	-	1,510
Other expenses	-	-	-	943	-	943
	<b>\$ 1,739,033</b>	<b>\$ 313,197</b>	<b>\$ 2,052,230</b>	<b>\$ 312,240</b>	<b>\$ 28,697</b>	<b>\$ 2,393,167</b>

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

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 158,400	\$ (19,683)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	18,052	782
(Increase) decrease in assets:		
Assessments receivable	327,206	124,719
Prepaid expenses	(4,301)	(172)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(2,827)	27,159
Accrued benefits	5,816	4,019
	502,346	136,824
Cash flows from investing activities:		
Purchase of capital assets	(26,528)	(42,267)
	(26,528)	(42,267)
Net increase in cash and cash equivalents	475,818	94,557
Cash and cash equivalents:		
Beginning of year	2,077,697	1,983,140
End of year	\$ 2,553,515	\$ 2,077,697

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012 and 2011

**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 (City) for a term of seven years expiring on December 31, 2015. 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. 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 are:

- 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.
- Business Development - Marketing programs help strengthen the area's economic viability to make it more inviting to businesses and visitors. The YBCBD is working to develop a neighborhood brand/identity, organize events to draw people to the area, and produce promotional materials, such as district maps, brochures and newsletters.
- Greening - Activities are being developed and may include tree planting, hanging flower baskets, and other streetscape improvements.



**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

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

**Purpose and Organization (Continued)**

- 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.

**Basis of Accounting**

The YBCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Basis of Presentation**

**Classification of Net Assets**

Accounting principles generally accepted in the United States of America require that the YBCBD report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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 the 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.

As of June 30, 2012 and 2011, the YBCBD did not have any net assets meeting the definition of permanently restricted.

**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.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

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

**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, 2012 and 2011, the allowance for uncollectible assessments was \$267,916.

**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 statements of activities.

**Revenue Recognition**

**Assessment Revenue**

The YBCBD receives its support primarily from a special tax 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 assessment monies 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 in the year of receipt, regardless of compliance with restrictions. 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. Contributions with donor-imposed restrictions and investment income generated from such investments that are complied with in the year of receipt are reported as unrestricted support.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

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

**Revenue Recognition (Continued)**

**Contributions** (Continued)

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, 2012 and 2011, the YBCBD received contributed goods and services in the amounts of \$95,831 and \$26,342, respectively.

**Advertising**

The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2012 and 2011 was \$57,458 and \$52,512, respectively.

**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 follows the accounting standard on accounting for uncertainty in income taxes, which prescribes a recognition 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 enterprise 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.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

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

**Income Taxes (Continued)**

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. This standard also requires organizations to disclose additional quantitative and qualitative information in their financial statements about uncertain tax positions.

The YBCBD's evaluation on June 30, 2012 revealed no tax positions that would have a material impact on the financial statements. The 2008 through 2011 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2007 through 2011 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, 2012 and 2011, 21% and 46% of the assessments receivable were due from two property owners, respectively.

**Functional Allocation of Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis for the year ended June 30, 2012 in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited.

**Reclassifications**

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 financial statement presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**2. CAPITAL ASSETS**

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

	2012	2011
Website development	\$ 68,795	\$ 42,267
Furniture and equipment	4,078	4,078
Less accumulated depreciation	(20,295)	(2,243)
	\$ 52,578	\$ 44,102

For the years ended June 30, 2012 and 2011, depreciation and amortization expense was \$18,052 and \$782, respectively.

**3. UNRESTRICTED NET ASSETS**

Unrestricted net assets at June 30 are as follows:

	2012	2011
Sidewalk Operations and Beautification	\$ 1,397,794	\$ 1,585,209
District Identity and Streetscape Improvement	238,134	278,201
Contingency/Reserve	708,515	-
Administration	115,765	-
Invested in capital assets	52,578	44,102
Undesignated	-	461,874
	\$ 2,512,786	\$ 2,369,386

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2012 are comprised of a \$15,000 grant for the 2012-13 Yerba Buena Night and the 2012-13 Yerba Buena Family Day. There were no temporarily restricted net assets as of June 30, 2011.

**5. GRANTS**

The YBCBD distributes annual grants called Community Benefits Funds to community organizations providing services in the district that support the improvements and activities of the YBCBD. Grant expense for the years ended June 30, 2012 and 2011 was \$179,200 and \$165,000, respectively.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**6. COMMITMENTS**

The YBCBD is obligated under a noncancelable operating lease agreement for office space. The term of the lease is August 15, 2009 through August 14, 2015. The YBCBD also leases equipment with monthly lease payments expiring in August, 2013.

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

2013	\$ 27,907
2014	26,051
2015	26,437
2016	<u>2,210</u>
	<u>\$ 82,605</u>

Rent expense for the years ended June 30, 2012 and 2011 was \$24,396 and \$20,910, respectively.

**7. RELATED PARTY TRANSACTIONS**

Members of the YBCBD's Board are associated with organizations that have received grants from the YBCBD. Pursuant to the YBCBD's conflict of interest policy, all 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. No such associations are considered to be significant during the years ended June 30, 2012 and 2011.

**8. SUBSEQUENT EVENTS**

The YBCBD has evaluated all subsequent events through August 29, 2012, the date the financial statements were available to be issued.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**

Supplementary Financial Information

Year Ended June 30, 2012



LAUTZE & LAUTZE  
CPAs & FINANCIAL ADVISORS

**INDEPENDENT AUDITORS' REPORT**  
**ON SUPPLEMENTARY INFORMATION**

Board of Directors  
YERBA BUENA COMMUNITY BENEFIT DISTRICT  
San Francisco, California

We have audited the financial statements of YERBA BUENA COMMUNITY BENEFIT DISTRICT as of and for the year ended June 30, 2012, and our report thereon dated August 29, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis shown on page 15, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The Management's Discussion and Analysis nonaccounting information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*Lautze & Lautze*

San Francisco, California  
August 29, 2012



**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

**STATEMENTS OF FINANCIAL POSITION**

Assets at \$2,699,231 increased from \$2,537,842 due to another year of assessments received and concentrated fundraising efforts. Assessments Receivable decrease due to payment of several large past due parcels.

**STATEMENTS OF ACTIVITIES**

Total Revenue increased by \$260,500 from fiscal year 2011 to fiscal year 2012. Assessment revenue increased primarily because of new parcels (condo developments). Other unrestricted revenue increased by \$110,713 in fiscal year 2012 over fiscal year 2011 due to a concentrated effort to secure additional support primarily through grants and in-kind contributions.

Expenses increased slightly over fiscal year 2011 with the greatest increase in Programs due to new streets projects and marketing efforts, and an increase in the cost of police services.

**STATEMENTS OF CASH FLOWS**

Overall our position increased by \$475,818 due to better collection of assessments and securing more cash and in-kind contributions.