



**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORT**

Years Ended June 30, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 18, 2014



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

June 30,

	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,595,031	\$ 2,536,885
Assessments receivable, net	264,734	258,097
Prepaid expenses	18,893	13,082
Capital assets, net	48,264	48,724
Total assets	\$ 2,926,922	\$ 2,856,788
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 145,002	\$ 170,906
Accrued benefits	15,904	16,684
Total liabilities	160,906	187,590
Commitments		
Net assets:		
Unrestricted	2,750,016	2,653,498
Temporarily restricted	16,000	15,700
Total net assets	2,766,016	2,669,198
Total liabilities and net assets	\$ 2,926,922	\$ 2,856,788

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**STATEMENTS OF ACTIVITIES**  
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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 restrictions	17,601	(17,601)	-
	<u>2,530,746</u>	<u>300</u>	<u>2,531,046</u>
Expenses:			
Program services	2,073,246	-	2,073,246
Supporting services:			
Management and administrative	332,819	-	332,819
Fundraising	28,163	-	28,163
	<u>2,434,228</u>	<u>-</u>	<u>2,434,228</u>
Change in net assets	96,518	300	96,818
Net assets:			
Beginning of year	<u>2,653,498</u>	<u>15,700</u>	<u>2,669,198</u>
End of year	<u>\$ 2,750,016</u>	<u>\$ 16,000</u>	<u>\$ 2,766,016</u>

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**  
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue, gains and other support:			
Assessment revenue	\$ 2,403,916	\$ -	\$ 2,403,916
Contributions	81,085	700	81,785
Grants	35,000	15,000	50,000
Interest and other income	11,405	-	11,405
Special events income	1,319	-	1,319
Net assets released from restriction	15,000	(15,000)	-
Total revenue, gains and other support	<u>2,547,725</u>	<u>700</u>	<u>2,548,425</u>
Expenses:			
Program services	2,080,691	-	2,080,691
Supporting services:			
Management and administrative	296,827	-	296,827
Fundraising	29,495	-	29,495
Total expenses	<u>2,407,013</u>	<u>-</u>	<u>2,407,013</u>
Change in net assets	140,712	700	141,412
Net assets:			
Beginning of year	<u>2,512,786</u>	<u>15,000</u>	<u>2,527,786</u>
End of year	<u>\$ 2,653,498</u>	<u>\$ 15,700</u>	<u>\$ 2,669,198</u>

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
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
Consulting fees	-	27,248	27,248	88,177	-	115,425
Greening	118,134	-	118,134	-	-	118,134
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
	<b>\$ 1,659,757</b>	<b>\$ 413,489</b>	<b>\$ 2,073,246</b>	<b>\$ 332,819</b>	<b>\$ 28,163</b>	<b>\$ 2,434,228</b>



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

Year Ended June 30, 2013

	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	326,699	-	326,699	-	-	326,699
Salaries and benefits	82,787	70,415	153,202	109,719	20,907	283,828
Grants	49,300	125,000	174,300	-	-	174,300
Consulting fees	-	48,068	48,068	79,403	-	127,471
Greening	101,511	-	101,511	-	-	101,511
Marketing and branding	-	75,609	75,609	2,711	-	78,320
Special events	-	64,166	64,166	-	-	64,166
In-kind goods and services	5,250	64,512	69,762	1,323	7,000	78,085
Rent and utilities	600	150	750	35,974	-	36,724
Donations and contributions	26,791	-	26,791	-	-	26,791
Depreciation and amortization	-	-	-	24,747	-	24,747
Payroll taxes	6,025	5,124	11,149	7,616	1,522	20,287
Bad debts	-	-	-	15,766	-	15,766
Office supplies and postage	597	4,040	4,637	9,546	48	14,231
Insurance	-	-	-	5,457	-	5,457
Payroll processing fees	-	-	-	2,548	-	2,548
Dues and subscriptions	-	-	-	1,848	-	1,848
Uniforms	435	-	435	-	-	435
Other expenses	-	-	-	169	18	187
	<u>\$ 1,623,607</u>	<u>\$ 457,084</u>	<u>\$ 2,080,691</u>	<u>\$ 296,827</u>	<u>\$ 29,495</u>	<u>\$ 2,407,013</u>

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

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 96,818	\$ 141,412
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	-	15,766
Depreciation and amortization	27,504	24,747
(Increase) decrease in assets:		
Assessments receivable	(6,637)	(191,798)
Prepaid expenses	(5,811)	(2,009)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(25,904)	10,982
Accrued benefits	(780)	5,163
Net cash provided by operating activities	85,190	4,263
Cash flows from investing activities:		
Purchase of capital assets	(27,044)	(20,893)
Net cash used by investing activities	(27,044)	(20,893)
Net increase (decrease) in cash and cash equivalents	58,146	(16,630)
Cash and cash equivalents:		
Beginning of year	2,536,885	2,553,515
End of year	\$ 2,595,031	\$ 2,536,885

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

**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. 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 are:

- **Clean Team** - The Clean Team works to improve the appearance and cleanliness of the district daily from 6:00am to 9:30pm. 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 seven days a week 6:00am to 12:00am.
- **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, 2014 and 2013

**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.

**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.

As of June 30, 2014 and 2013, the YBCBD did not have any net assets meeting the definition of permanently restricted.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

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

**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, 2014 and 2013, 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.

**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.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

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

**Revenue Recognition (Continued)**

**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.

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, 2014 and 2013, the YBCBD received contributed goods and services in the amounts of \$87,598 and \$78,085, respectively.

**Advertising**

The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2014 and 2013 was \$32,841 and \$60,081, 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.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

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

**Income Taxes (Continued)**

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, 2014 revealed no tax positions that would have a material impact on the financial statements. The 2010 through 2013 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2009 through 2013 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, 2014 and 2013, 42% and 36% 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 for the years ended June 30, 2014 and 2013 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, 2014 and 2013

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

**Recent Accounting Pronouncements**

ASU No. 2012-05, Statement of Cash Flows (Topic 230)-Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force). In accordance with ASU No. 2012-05, not-for-profit entities are required to classify as operating cash flows receipts from the sale of donated financial assets, unless the donor has restricted the use of the contributed securities to long-term purposes, in which case, the cash receipts should be classified as financing cash flows. Cash receipts from the sale of all other donated securities must be classified as investing cash flows. The effective date of the guidance, to be applied prospectively, was for cash received from the sale of donated assets in fiscal years, and interim periods within such years, beginning after June 15, 2013. Since this new guidance only amends the disclosure requirements, it will not have a material impact on YBCBD's financial statements.

**2. CAPITAL ASSETS**

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

	<u>2014</u>	<u>2013</u>
Website development	\$ 75,012	\$ 71,532
Street furniture	13,785	-
Furniture and equipment	5,373	4,078
Less accumulated depreciation and amortization	<u>(72,545)</u>	<u>(45,042)</u>
	21,625	30,568
Construction in progress - benches	<u>26,639</u>	<u>18,156</u>
	<u>\$ 48,264</u>	<u>\$ 48,724</u>

For the years ended June 30, 2014 and 2013, depreciation and amortization expense was \$27,504 and \$24,747, respectively.



**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014 and 2013

**3. UNRESTRICTED NET ASSETS**

Unrestricted net assets at June 30 consist of the following:

	2014	2013
Sidewalk Operations and Beautification	\$ 1,220,581	\$ 1,325,806
Contingency/Reserve	1,100,869	896,757
Administration	380,302	298,788
Invested in capital assets	48,264	48,724
District Identity and Streetscape Improvement	-	83,423
	\$ 2,750,016	\$ 2,653,498

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2014 consist of \$16,000 for the 2014-15 Yerba Buena Night. Temporarily restricted net assets at June 30, 2013 consist of \$15,700 for the 2013-14 Yerba Buena Night and the 2013-14 Yerba Buena Family Day.

**5. NET ASSETS RELEASED FROM RESTRICTIONS**

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.

During the year ended June 30, 2013, net assets totaling \$15,000 were released from restriction in connection with the 2012-13 Yerba Buena Night and the 2012-13 Yerba Buena Family Day.

**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, 2014 and 2013 was \$144,740 and \$174,300, respectively.

**7. COMMITMENTS**

**Leases**

The YBCBD is obligated under a non-cancelable operating lease agreement for office space in San Francisco, California. The term of the lease is August 15, 2009 through August 14, 2015.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

**7. COMMITMENTS (CONTINUED)**

**Leases (Continued)**

The YBCBD also leases office equipment with monthly lease payments expiring in August 2013. During the year ended June 30, 2013 this lease was amended to, among other things, extend the lease term through December 31, 2015.

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

2015	\$ 32,372
2016	<u>5,178</u>
	<u>\$ 37,550</u>

Rent expense for the years ended June 30, 2014 and 2013 was \$28,243 and \$26,493, respectively.

**Construction**

The YBCBD has made a commitment for the construction of five park benches to be installed throughout the district. The cost of the project is estimated to be approximately \$35,000 and will be funded partially by a grant from the City. As of June 30, 2014 the YBCBD paid \$33,299 of this commitment. Additionally, during the year ended June 30, 2014, one of the five benches was placed in service.

**8. 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, 2014 and 2013 totaled, \$67,500 and \$57,500, respectively. At June 30, 2014 and 2013, no amounts were due to related parties.

**YERBA BUENA COMMUNITY BENEFIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

**9. SUBSEQUENT EVENTS**

The YBCBD has evaluated all subsequent events through August 18, 2014, the date the financial statements were available to be issued.