



FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

YERBA BUENA COMMUNITY BENEFIT DISTRICT

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INDEPENDENT AUDITORS' REPORT

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 auditors' 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, 2016, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Yerba Buena Community Benefit District as of June 30, 2015, were audited by Lautze & Lautze CPA's & Financial Advisors whose practice was combined with Marcum LLP as of June 1, 2016, and whose report dated August 31, 2015, expressed an unmodified opinion on those statements.

Marcum LLP

San Francisco, CA
September 13, 2016

YERBA BUENA COMMUNITY BENEFIT DISTRICT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 3,640,096	\$ 2,332,158
Assessments receivable, net	69,466	534,486
Promise to give	100,000	--
Prepaid expenses	13,726	14,000
Capital assets, net	<u>28,941</u>	<u>40,069</u>
Total Assets	<u>\$ 3,852,229</u>	<u>\$ 2,920,713</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 257,112	\$ 179,208
Accrued benefits	<u>12,415</u>	<u>17,425</u>
Total Liabilities	<u>269,527</u>	<u>196,633</u>
Net Assets		
Unrestricted	3,271,354	2,684,491
Temporarily restricted	<u>311,348</u>	<u>39,589</u>
Total Net Assets	<u>3,582,702</u>	<u>2,724,080</u>
Total Liabilities and Net Assets	<u>\$ 3,852,229</u>	<u>\$ 2,920,713</u>

The accompanying notes are an integral part of these financial statements.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support			
Assessment revenue	\$ 3,067,189	\$ --	\$ 3,067,189
Contributions	51,901	435,238	487,139
Interest and other income	26,116	--	26,116
Special events income	1,915	--	1,915
Net assets released from restrictions	<u>163,479</u>	<u>(163,479)</u>	<u>--</u>
Total Revenue, Gains and Other Support	<u>3,310,600</u>	<u>271,759</u>	<u>3,582,359</u>
Expenses			
Program services	2,301,766	--	2,301,766
Supporting services:			
Management and operations	395,064	--	395,064
Fundraising	<u>26,907</u>	<u>--</u>	<u>26,907</u>
Total Expenses	<u>2,723,737</u>	<u>--</u>	<u>2,723,737</u>
Change in Net Assets	586,863	271,759	858,622
Net Assets - Beginning	<u>2,684,491</u>	<u>39,589</u>	<u>2,724,080</u>
Net Assets - Ending	<u>\$ 3,271,354</u>	<u>\$ 311,348</u>	<u>\$ 3,582,702</u>

The accompanying notes are an integral part of these financial statements.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support			
Assessment revenue	\$ 2,411,976	\$ --	\$ 2,411,976
Contributions	95,982	100,000	195,982
Special events income	17,403	--	17,403
Interest and other income	6,096	--	6,096
Net assets released from restriction	<u>76,411</u>	<u>(76,411)</u>	<u>--</u>
Total Revenue, Gains and Other Support	<u>2,607,868</u>	<u>23,589</u>	<u>2,631,457</u>
Expenses			
Program services	2,244,933	--	2,244,933
Supporting services:			
Management and operations	403,170	--	403,170
Fundraising	<u>25,290</u>	<u>--</u>	<u>25,290</u>
Total Expenses	<u>2,673,393</u>	<u>--</u>	<u>2,673,393</u>
Change in Net Assets	(65,525)	23,589	(41,936)
Net Assets - Beginning	<u>2,750,016</u>	<u>16,000</u>	<u>2,766,016</u>
Net Assets - Ending	<u>\$ 2,684,491</u>	<u>\$ 39,589</u>	<u>\$ 2,724,080</u>

The accompanying notes are an integral part of these financial statements.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services			
	Cleaning and Streetscape Improvements	Safety and Security	Branding, Activation and Marketing	Fiscally Sponsored Projects	Total	Management and Operations	Fundraising	Total
Cleaning services	\$ 613,135	\$ --	\$ --	\$ --	\$ 613,135	\$ --	\$ --	\$ 613,135
Community guides	--	561,406	--	--	561,406	--	--	561,406
Salaries and benefits	84,551	--	128,706	--	213,257	103,282	24,562	341,101
Police services	--	317,488	--	--	317,488	--	--	317,488
Consulting fees	--	--	28,843	129,144	157,987	107,145	570	265,702
Grants	40,000	10,000	100,000	--	150,000	--	--	150,000
Special events	--	--	74,676	3,119	77,795	--	--	77,795
Greening	49,342	--	--	--	49,342	--	--	49,342
Streetscape management	59,764	28	400	1,173	61,365	--	--	61,365
Rent and utilities	--	--	--	--	--	56,784	--	56,784
In-kind goods and services	141	--	14,785	--	14,926	32,475	--	47,401
Marketing and branding	--	--	37,867	--	37,867	--	--	37,867
Bad debt expense	--	--	--	--	--	36,609	--	36,609
Fiscal sponsorship fee	--	--	--	25,562	25,562	--	--	25,562
Payroll taxes	6,166	--	9,277	--	15,443	7,109	1,775	24,327
Office supplies and postage	55	--	4,304	481	4,840	11,428	--	16,268
Depreciation and amortization	--	--	--	--	--	15,670	--	15,670
Website support	--	--	1,343	--	1,343	6,779	--	8,122
Insurance	--	--	--	--	--	7,613	--	7,613
Payroll processing fees	--	--	--	--	--	4,705	--	4,705
Dues and subscriptions	--	--	--	--	--	4,336	--	4,336
Loss on disposal of asset	--	--	--	--	--	720	--	720
Other expenses	10	--	--	--	10	409	--	419
Total	<u>\$ 853,164</u>	<u>\$ 888,922</u>	<u>\$ 400,201</u>	<u>\$ 159,479</u>	<u>\$ 2,301,766</u>	<u>\$ 395,064</u>	<u>\$ 26,907</u>	<u>\$ 2,723,737</u>

The accompanying notes are an integral part of these financial statements.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	Program Services				Supporting Services		
	Sidewalk Operations and Beautification	District Identity and Streetscape Improvements	Fiscally Sponsored Projects	Total	Management and Operations	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
Total	<u>\$ 1,741,151</u>	<u>\$ 443,371</u>	<u>\$ 60,411</u>	<u>\$2,244,933</u>	<u>\$ 403,170</u>	<u>\$ 25,290</u>	<u>\$2,673,393</u>

The accompanying notes are an integral part of these financial statements.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows Provided By (Used In) Operating Activities		
Change in net assets	\$ 858,622	\$ (41,936)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense	36,609	--
Depreciation and amortization	15,670	8,195
Loss on disposal of capital asset	720	--
Changes in operating assets and liabilities:		
Assessments receivable	428,411	(269,752)
Promise to give	(100,000)	--
Prepaid expenses	274	4,893
Accounts payable and accrued expenses	77,904	34,206
Accrued benefits	(5,010)	1,521
Net Cash Provided By (Used In) Operating Activities	<u>1,313,200</u>	<u>(262,873)</u>
Cash Flows Provided By (Used In) Investing Activities		
Purchase of capital assets	<u>(5,262)</u>	<u>--</u>
Net Cash (Used In) Investing Activities	<u>(5,262)</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,307,938	(262,873)
Cash and Cash Equivalents - Beginning	<u>2,332,158</u>	<u>2,595,031</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,640,096</u>	<u>\$ 2,332,158</u>

The accompanying notes are an integral part of these financial statements.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 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 neighborhood by making the area cleaner, safer, and more vibrant. The YBCBD had 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 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 9:30pm. 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, mailboxes, and fire plugs.
- **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. The YBCBD also engaged a Social Service Specialist to provide additional support to those in need. Up to six guides work 6:00am to midnight, seven days a week.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PURPOSE AND ORGANIZATION (CONTINUED)

- **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 10 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 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.
- **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.
- **Fiscally Sponsored Projects** - The YBCBD continues to serve as the fiscal sponsor for projects related to its mission. During the year ended June 30, 2015, the organization began serving as 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, known as Sites Unseen. The other is a coalition of neighborhood organizations advocating for the long-term maintenance and preservation of the Yerba Buena Gardens, known as The Yerba Buena Gardens Conservancy. 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.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2016 and 2015, the YBCBD did not have any net assets meeting the definition of permanently restricted.

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, receivables, and accounts payable approximate fair value because of the short-term maturity of these instruments.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 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, 2016 and 2015, the allowance for uncollectible assessments was \$320,291 and \$283,682, respectively.

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 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 and changes in net assets.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCRUED VACATION

Full-time employees may accrue up to ten 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.

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 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. 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 (performance restriction) 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. For the years ended June 30, 2016 and 2015, the YBCBD received donated material and equipment in the amounts of \$350 and \$0, respectively.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Contributed Goods and Services (Continued)

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, 2016 and 2015, the YBCBD received contributed goods and services in the amounts of \$47,401 and \$64,782, respectively.

ADVERTISING

The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2016 and 2015, was \$29,713 and \$62,615, 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 §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, 2016, 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

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016 and 2015, 49% and 32% of the assessments receivable were due from six and 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.

NOTE 2 - PROMISE TO GIVE

The promise to give at June 30, 2016, in the amount of \$100,000 and due August 2016, consists of one contribution from the Kenneth Rainin Foundation. The purpose of the contribution is to support the Sites Unseen fiscally sponsored project and, as such, it is recorded as temporarily restricted.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 3 - CAPITAL ASSETS

Capital assets at June 30, consist of the following:

	2016	2015
Website development	\$ 75,012	\$ 75,012
Street furniture	40,424	40,424
Furniture and equipment	<u>9,339</u>	<u>5,373</u>
	124,775	120,809
Less: accumulated depreciation and amortization	<u>(95,834)</u>	<u>(80,740)</u>
Total	<u>\$ 28,941</u>	<u>\$ 40,069</u>

NOTE 4 - UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2016, consist of the following:

	<u>2016</u>
Board designated:	
Cleaning and Streetscape Improvement	\$ 1,370,051
Safety and Security	929,277
Management and Operations	742,778
Branding, Activation, and Marketing	165,307
Fiscally sponsored projects:	
Sites Unseen	25,000
Yerba Buena Gardens	10,000
Invested in capital assets	<u>28,941</u>
Total	<u>\$ 3,271,354</u>

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 4 - UNRESTRICTED NET ASSETS (CONTINUED)

Unrestricted net assets at June 30, 2015, consist of the following:

	<u>2015</u>
Board designated:	
Contingency/Reserve	\$ 1,132,323
Sidewalk Operations and Beautification	1,069,838
Administration	442,261
Invested in capital assets	<u>40,069</u>
Total	<u><u>\$ 2,684,491</u></u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, may be expended for:

	<u>2016</u>	<u>2015</u>
Fiscally sponsored projects:		
Sites Unseen	\$ 196,136	\$ 39,052
Sites Unseen inherent time restriction	100,000	--
Yerba Buena Gardens	<u>15,212</u>	<u>537</u>
Total	<u><u>\$ 311,348</u></u>	<u><u>\$ 39,589</u></u>

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	2016	2015
Fiscally sponsored projects:		
Sites Unseen	\$ 156,654	\$ 33,448
Yerba Buena Gardens	2,825	26,963
Traffic study	4,000	--
2014-15 Yerba Buena Night	<u> --</u>	<u>16,000</u>
Total	<u>\$ 163,479</u>	<u>\$ 76,411</u>

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, 2016 and 2015 was \$150,000 and \$104,360, respectively. Grants payable at June 30, 2016 and 2015 were \$17,500 and \$0, respectively.

NOTE 8 - RETIREMENT PLAN

The YBCBD established an employer non-contributory 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 Internal Revenue Code (IRC) regulations.

NOTE 9 - COMMITMENTS

The YBCBD was 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 leased its office space on a month-to-month basis until the lease was amended in November 2015 to extend the lease term to December 31, 2018. The amendment also provided for additional office space, modified the future monthly lease payments, and provided the landlord the option to terminate the lease with a written notice, six months in advance.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 9 - COMMITMENTS (CONTINUED)

The YBCBD also leases office equipment that requires monthly lease payments; the lease was renewed on January 1, 2016 and expires on January 14, 2021.

The following is a schedule of minimum lease commitments:

For the years ending	Amount
June 30,	
2017	\$ 43,512
2018	44,640
2019	23,736
2020	2,268
2021	<u>1,134</u>
Total	<u>\$ 115,290</u>

Rent expense for the years ended June 30, 2016 and 2015 was \$37,920 and \$28,587, respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

The property owner of the building the YBCBD leases for office space joined the YBCBD's Board of Directors (the Board) in January 2016. Rent paid for the office lease from January 2016 through June 30, 2016 was \$20,340.

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.

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. Community Benefit Fund grants paid to organizations of related parties for the years ended June 30, 2016 and 2015 totaled, \$70,000 and \$45,000, respectively.

At June 30, 2016 and 2015, no amounts were due to related parties.

YERBA BUENA COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 11 - SUBSEQUENT EVENTS

The YBCBD has evaluated all subsequent events through September 13, 2016, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.