



*Report of Independent Auditors and  
Financial Statements*

**Yerba Buena Community Benefit District**

*June 30, 2019 and 2018*

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## **Report of Independent Auditors**

To the Board of Directors  
Yerba Buena Community Benefit District

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

We have audited the accompanying financial statements of Yerba Buena Community Benefit District, which comprise the statement of financial position, as of June 30, 2019, 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.

### ***Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yerba Buena Community Benefit District, as of June 30, 2019, and the changes 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.

***Emphasis of Matters***

*Recently Adopted Standard*

As discussed in Note 1 to the financial statements, Yerba Buena Community Benefit District adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

***Other Matter***

*Prior Period Financial Statements*

The financial statements of Yerba Buena Community Benefit District as of and for the year ended June 30, 2018, were audited by other auditors whose report dated September 12, 2018, expressed an unmodified opinion on those statements.

*Moss Adams LLP*

San Francisco, California  
September 12, 2019

## **Financial Statements**

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**Yerba Buena Community Benefit District**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
ASSETS		
Cash and cash equivalents	\$ 3,417,854	\$ 4,000,329
Certificates of deposit	997,250	494,881
Assessments receivable, net	544	112,599
Loans receivable	300,000	-
Prepaid expenses	24,177	22,090
Capital assets, net	<u>343,705</u>	<u>311,356</u>
Total assets	<u>\$ 5,083,530</u>	<u>\$ 4,941,255</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 208,970	\$ 528,852
Accrued payroll and other benefits	<u>20,422</u>	<u>22,697</u>
Total liabilities	<u>229,392</u>	<u>551,549</u>
NET ASSETS		
Without donor restrictions	4,562,125	4,354,334
With donor restrictions	<u>292,013</u>	<u>35,372</u>
Total net assets	<u>4,854,138</u>	<u>4,389,706</u>
Total liabilities and net assets	<u>\$ 5,083,530</u>	<u>\$ 4,941,255</u>

**Yerba Buena Community Benefit District**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2019 and 2018**

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Assessment revenue	\$ 3,078,768	\$ -	\$ 3,078,768	\$ 3,055,597	\$ -	\$ 3,055,597
Contributions	45,059	275,000	320,059	42,444	44,354	86,798
Other income	30,024	-	30,024	179,424	-	179,424
Interest	31,764	-	31,764	16,247	-	16,247
Net assets released from restrictions	18,359	(18,359)	-	70,218	(70,218)	-
Total support and revenue	<u>3,203,974</u>	<u>256,641</u>	<u>3,460,615</u>	<u>3,363,930</u>	<u>(25,864)</u>	<u>3,338,066</u>
<b>EXPENSES</b>						
Program services	2,646,079	-	2,646,079	2,727,884	-	2,727,884
Supporting services:						
Management and operations	316,348	-	316,348	345,594	-	345,594
Fundraising	33,756	-	33,756	33,072	-	33,072
Total expenses	<u>2,996,183</u>	<u>-</u>	<u>2,996,183</u>	<u>3,106,550</u>	<u>-</u>	<u>3,106,550</u>
Change in net assets	207,791	256,641	464,432	257,380	(25,864)	231,516
NET ASSETS, at beginning of year	<u>4,354,334</u>	<u>35,372</u>	<u>4,389,706</u>	<u>4,096,954</u>	<u>61,236</u>	<u>4,158,190</u>
NET ASSETS, at end of year	<u>\$ 4,562,125</u>	<u>\$ 292,013</u>	<u>\$ 4,854,138</u>	<u>\$ 4,354,334</u>	<u>\$ 35,372</u>	<u>\$ 4,389,706</u>

**Yerba Buena Community Benefit District**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	Program Services				Supporting Services			
	Cleaning and Streetscape Improvements	Safety and Security	Branding, Activation and Marketing	Sponsored Projects	Total	Management and Operations	Fundraising	Total
EXPENSES								
Community guides	\$ -	\$ 699,731	\$ -	\$ -	\$ 699,731	\$ -	\$ -	\$ 699,731
Cleaning contract	689,082	-	-	-	689,082	-	-	689,082
Public safety	-	400,197	-	-	400,197	-	-	400,197
Salaries and benefits	103,361	112,590	101,827	-	317,778	145,650	33,756	497,184
Consulting fees	25,538	-	-	1,287	26,825	87,448	-	114,273
Grants	26,250	5,000	121,250	-	152,500	-	-	152,500
Events	-	-	127,291	-	127,291	1,301	-	128,592
Greening expenses	82,927	-	-	-	82,927	-	-	82,927
Marketing and branding	-	-	81,293	-	81,293	-	-	81,293
Rent and utilities	9,717	10,159	9,938	-	29,814	25,188	-	55,002
In-kind goods and services	-	-	8,000	-	8,000	35,999	-	43,999
Depreciation and amortization	-	-	-	-	-	37,506	-	37,506
Other expenses	10,000	-	4,248	573	14,821	24,530	-	39,351
Office supplies and postage	-	-	2,070	-	2,070	15,058	-	17,128
Bad debt recovery	-	-	-	-	-	(56,332)	-	(56,332)
Uniforms	6,875	6,875	-	-	13,750	-	-	13,750
<b>Total expenses</b>	<b>\$ 953,750</b>	<b>\$ 1,234,552</b>	<b>\$ 455,917</b>	<b>\$ 1,860</b>	<b>\$ 2,646,079</b>	<b>\$ 316,348</b>	<b>\$ 33,756</b>	<b>\$ 2,996,183</b>



**Yerba Buena Community Benefit District**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**

	Program Services				Supporting Services			
	Cleaning and Streetscape Improvements	Safety and Security	Branding, Activation and Marketing	Sponsored Projects	Total	Management and Operations	Fundraising	Total
EXPENSES								
Community guides	\$ -	\$ 699,242	\$ -	\$ -	\$ 699,242	\$ -	\$ -	\$ 699,242
Cleaning contract	685,120	-	-	-	685,120	-	-	685,120
Public safety	-	473,384	-	-	473,384	-	-	473,384
Salaries and benefits	69,796	78,955	85,299	-	234,050	137,987	28,521	400,558
Consulting fees	-	-	44,637	108,758	153,395	82,562	-	235,957
Grants	11,250	20,000	125,000	-	156,250	-	-	156,250
Events	-	-	106,076	-	106,076	-	-	106,076
Greening expenses	83,727	-	-	-	83,727	-	-	83,727
Marketing and branding	-	-	56,392	-	56,392	-	-	56,392
Rent and utilities	9,504	9,936	9,720	-	29,160	18,186	4,546	51,892
In-kind goods and services	-	-	22,520	-	22,520	17,348	-	39,868
Depreciation and amortization	-	-	-	-	-	34,806	-	34,806
Other expenses	-	-	5,032	7,183	12,215	19,824	5	32,044
Office supplies and postage	-	-	3,702	-	3,702	19,509	-	23,211
Bad debt expense	-	-	-	-	-	15,372	-	15,372
Uniforms	3,065	4,210	-	-	7,275	-	-	7,275
Streetscape expenses	5,376	-	-	-	5,376	-	-	5,376
Total expenses	<u>\$ 867,838</u>	<u>\$ 1,285,727</u>	<u>\$ 458,378</u>	<u>\$ 115,941</u>	<u>\$ 2,727,884</u>	<u>\$ 345,594</u>	<u>\$ 33,072</u>	<u>\$ 3,106,550</u>

**Yerba Buena Community Benefit District**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 464,432	\$ 231,516
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss	4,587	-
Change in allowance for bad debt	(57,279)	15,372
Depreciation and amortization	37,506	34,806
Change in operating assets and liabilities:		
Assessments receivable	169,334	(87,704)
Prepaid expenses	(2,087)	(2,219)
Accounts payable and accrued expenses	(319,882)	199,962
Accrued payroll and other benefits	(2,275)	6,081
Net cash from operating activities	<u>294,336</u>	<u>397,814</u>
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(1,980,000)	(495,000)
Proceeds on maturity of certificates of deposit	1,473,044	495,948
Purchase of capital assets	(69,855)	(47,776)
Loans receivable	(300,000)	-
Net cash (used in) from investing activities	<u>(876,811)</u>	<u>(46,828)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(582,475)	350,986
CASH AND CASH EQUIVALENTS - BEGINNING	<u>4,000,329</u>	<u>3,649,343</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,417,854</u>	<u>\$ 4,000,329</u>

# Yerba Buena Community Benefit District

## Notes to Financial Statements

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

**Organization and nature of activities** – The Yerba Buena Community Benefit District (the “YBCBD”) was formed in 2008 by property owners to improve the quality of life in the neighborhood by making the area cleaner, safer, and more vibrant. The YBCBD has a contract with the City and County of San Francisco (the “City”) for a term of 15 years, expiring on June 30, 2030. The YBCBD stretches from about Second 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 9:00pm. The Team steam cleans all sidewalks in the district once or twice a month, works daily on sidewalk cleaning and gutter sweeping, and removes trash on a frequent basis. The Team also pulls weeds, cleans tree wells, removes graffiti, and paints poles, and mailboxes.
- **Community Guides Program** – The Community Guides (“Guides”) serve as goodwill ambassadors in the neighborhood. Guides provide information, directions, and connect those who need help to the right social services. Guides report maintenance issues such as areas in need of cleaning. Guides do not provide emergency response, but will call emergency dispatch to report issues. Up to six guides work 6:00am to midnight, seven days a week. The YBCBD also engages two Social Services Specialists to work with the street population and connect them to services.
- **SFPD 10B Officer** – In addition to existing police services, the San Francisco Police Department (“SFPD”) provides officers to the YBCBD under City Administrative Code Section 10B. These officers are funded by the YBCBD and work 12 hours a day, 7 days a week. The 10B Officer primarily addresses quality of life issues within the neighborhood and within the purview of SFPD, such as issuing citations for drinking, trespassing, permit violations, littering, and pedestrian safety infractions. The additional police presence adds 84 hours per week of police time to the 5,000 hours a week already provided by the Southern District Police Station.
- **Marketing and Branding** – Marketing programs help strengthen the area’s economic viability to make it more inviting to businesses and visitors. The YBCBD established a name and brand for the neighborhood, along with a neighborhood website that lists all businesses, events, and neighborhood news. The YBCBD also coordinates events that bring people to the neighborhood.

# Yerba Buena Community Benefit District

## Notes to Financial Statements

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- **Streetscape Improvements** – Guided by the Yerba Buena Street Life Plan, the YBCBD invests in public realm improvements, including greening, public art, pedestrian and bicycle improvements, as well as advocates for real public benefits related to neighborhood development projects.
- **Community Benefit Fund** – The YBCBD Community Benefit Fund supports district initiatives by providing small grants to organizations in the neighborhood that help to achieve the mission of the YBCBD.
- **Sponsored Projects** – The YBCBD continues to serve as the sponsor for two projects related to its mission. 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, also known as The Yerba Buena Gardens Conservancy. As the Yerba Buena Gardens Conservancy transitions from a former Redevelopment Agency holding to a City asset, the coalition is collaborating with all stakeholders to secure a vibrant future for the Yerba Buena Gardens. YBCBD was granted variance power over such contributions and, accordingly, they are recognized as YBCBD contributions. The Yerba Buena Gardens Conservancy obtained exempt status from federal income taxes under §501(c)(3) of the Internal Revenue Code in July 2018.

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

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

*Without donor restrictions:* Those net assets and activities which represent the portion of expendable funds that are available to support YBCBD’s operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

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

**Fair value of financial instruments** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, certificates of deposit, receivables, and accounts payable approximate fair value because of the short-term maturity of these instruments.

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

**Certificates of deposit** – The YBCBD’s certificates of deposit are valued at fair value based upon quoted prices.

## Yerba Buena Community Benefit District Notes to Financial Statements

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**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, 2019 and 2018, the allowance for uncollectible assessments was \$148,138 and \$205,417, respectively.

**Loan receivable** – The YBCBD approved an interest free, unsecured loan to the Yerba Buena Gardens Conservancy (formerly a fiscally sponsored project that obtained exempt status from federal income taxes under §501(c)(3) of the Internal Revenue Code) for up to \$300,000 to help fund start-up costs. The total loan amount is due on July 1, 2020. As of June 30, 2019 and 2018, the loan receivable balance was \$300,000 and \$0, 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 and public art are calculated using the straight-line method based upon estimated useful lives ranging from 3 to 10 years. Website development costs are amortized using the straight-line method over 3 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

**Impairment of long-lived assets** – Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisal, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. No impairment losses were incurred during the years ended June 30, 2019 and 2018.

**Accrued vacation** – Full-time employees may accrue up to 13.33 hours per month depending on the number of years employed. Part-time employees accrue vacation on a prorated basis. Employees can accrue a maximum of 160 vacation hours. Accrued vacation as of June 30, 2019 and 2018, was \$20,422 and \$22,697, respectively.

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

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

## Yerba Buena Community Benefit District Notes to Financial Statements

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

**Contributed goods and services** – Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as donor 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 net assets with donor restrictions to net assets without donor restrictions at that time. For the years ended June 30, 2019 and 2018, the YBCBD did not receive donated material and equipment.

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, 2019 and 2018, the YBCBD received contributed goods and services in the amounts of \$43,999 and \$39,868, respectively.

**Advertising** – The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2019 and 2018, was \$27,191 and \$31,250, respectively.

**Grants** – Grants are recognized when the unconditional promise to give is approved. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. As of June 30, 2019 and 2018, there were no conditional grants.

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

The YBCBD recognizes a threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. For tax exempt entities, favorable tax status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The YBCBD’s evaluation on June 30, 2019 and 2018, revealed no tax positions that would have a material impact on the financial statements.

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

# Yerba Buena Community Benefit District

## Notes to Financial Statements

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### Concentration of Risk

**Financial instruments** – Financial instruments which potentially subject the YBCBD to concentrations of credit risk consist principally of cash and cash equivalents. The YBCBD maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. At June 30, 2019 and 2018, the YBCBD exceeded Federal Deposit Insurance Corporation coverage by approximately \$300,000 and \$640,000, respectively. 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, 2019, 57% of assessments receivable were due from three property owners. As of June 30, 2018, 77% of assessments receivable were due from three property owners.

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

**Reclassifications** – Certain prior year amounts have been reclassified to conform with current year presentation. The reclassification had no effect on the YBCBD's financial condition, results of operations, or cash flows.

**Use of estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New accounting pronouncements** – During 2018, Yerba Buena Community Benefit District adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). This guidance is intended to improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts. Compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments. There were no net assets reclassifications as a result of adopting this standard.

# Yerba Buena Community Benefit District

## Notes to Financial Statements

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In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), to clarify and improve the scope and the accounting guidance for contributions received and made. The amendments should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 968, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and also in determining whether a contribution is conditional. The adoption is effective for the fiscal years beginning after December 15, 2018, for contributions received and for fiscal years beginning after December 15, 2019, for contributions made. Management is currently evaluating the impact ASU 2018-08 will have on Yerba Buena Community Benefit District’s future financial statements.

### NOTE 2 – FAIR VALUE MEASUREMENTS

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

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

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

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

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the valuation methodologies during the years ended June 30, 2019 and 2018.

Certificates of deposit: The fair value is based on market price. These securities are classified within Level 2 of the fair value hierarchy.

The following table provides information about YBCBD’s financial assets measured at fair value on a recurring basis as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 997,250</u>	<u>\$ -</u>	<u>\$ 997,250</u>



## Yerba Buena Community Benefit District Notes to Financial Statements

The following table provides information about YBCBD's financial assets measured at fair value on recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 494,881	\$ -	\$ 494,881

YBCBD's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. YBCBD had no transfers into or out of levels of the fair value hierarchy during the years ended June 30, 2019 and 2018.

### NOTE 3 – CAPITAL ASSETS

	2019	2018
Public art	\$ 352,447	\$ 337,447
Website development	26,000	75,012
Street furniture	40,424	40,424
Furniture and equipment	10,773	10,773
	429,644	463,656
Less accumulated depreciation	(114,794)	(152,300)
	314,850	311,356
Construction in progress	28,855	-
Total property and equipment, net	\$ 343,705	\$ 311,356

### NOTE 4 – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	2019	2018
Board designated:		
Cleaning and Streetscape Improvements	\$ 2,255,269	\$ 1,961,012
Management and operations	1,378,477	1,182,487
Safety and security	473,350	707,302
Branding, activation, and marketing	111,324	192,177
Sponsored projects:		
Invested in capital assets	343,705	311,356
Total	\$ 4,562,125	\$ 4,354,334

# Yerba Buena Community Benefit District

## Notes to Financial Statements

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### NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Sponsored projects:		
Sites Unseen	\$ 17,013	\$ 33,872
Annie Street	275,000	-
Other	-	1,500
	<u>          </u>	<u>          </u>
Total	<u>\$ 292,013</u>	<u>\$ 35,372</u>

### NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Sponsored projects:		
Sites Unseen	\$ 16,859	\$ 57,881
Yerba Buena Gardens	-	8,837
Other	1,500	3,500
	<u>          </u>	<u>          </u>
Total	<u>\$ 18,359</u>	<u>\$ 70,218</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, 2019 and 2018, was \$152,500 and \$156,250, respectively. Grants payable at June 30, 2019 and 2018, were \$7,500 and \$18,750, respectively, and are payable within one year.

### NOTE 8 – RETIREMENT PLAN

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

### NOTE 9 – COMMITMENTS

The YBCBD was obligated under a noncancelable operating lease agreement for office space in San Francisco, California which expired on June 30, 2018. The lease was not renewed or extended.

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

## Yerba Buena Community Benefit District Notes to Financial Statements

The following is a schedule of minimum lease commitments:

<u>Year Ending December 31,</u>	
2020	\$ 2,268
2021	<u>1,229</u>
	<u>\$ 3,497</u>

Rent expense for the years ended June 30, 2019 and 2018, was \$50,672, and \$49,268, respectively.

### NOTE 10 – RELATED-PARTY TRANSACTIONS

The property owner of the building the YBCBD leases for office space is a member of YBCBD's Board of Directors (the "Board"). Rent paid for the office lease during the years ended June 30, 2019 and 2018, was \$45,592 and \$44,281, respectively.

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

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.

The loan receivable with Yerba Buena Gardens Conservancy is also a related-party transaction. See Note 1.

### NOTE 11 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects YBCBD's financial assets as of June 30, 2019:

Financial Assets	
Cash and cash equivalents	\$ 3,417,854
Certificates of deposit	997,250
Assessment receivables, net	544
Loans receivable, net	<u>300,000</u>
Financial Assets, at June 30, 2019	<u>\$ 4,715,648</u>

All financial assets are available for general expenditure within one year of June 30, 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Yerba Buena Community Benefit District derives approximately 95% of its annual budget from assessment payments from property owners. The target minimum funds available in reserve for the YBCBD is eight months of average operating costs. The

## **Yerba Buena Community Benefit District Notes to Financial Statements**

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calculation of average monthly operating costs is based on the YBCBD's annual budget. Board designated net assets cover most of the general expenditures of YBCBD within a year.

### **NOTE 12 – SUBSEQUENT EVENTS**

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

Yerba Buena Community Benefit District has evaluated subsequent events through, September 12, 2019, which is the date the financial statements were available to be issued.

