



*Report of Independent Auditors and
Financial Statements*

Yerba Buena Community Benefit District

June 30, 2020 and 2019

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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 statements of financial position, as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 audits 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, 2020 and 2019, 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.

Moss Adams LLP

San Francisco, California
September 18, 2020

Financial Statements

Yerba Buena Community Benefit District
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 4,394,119	\$ 3,417,854
Certificates of deposit	248,682	997,250
Assessments receivable, net	-	544
Loan receivable	-	300,000
Prepaid expenses	25,078	24,177
Capital assets, net	<u>297,748</u>	<u>343,705</u>
Total assets	<u>\$ 4,965,627</u>	<u>\$ 5,083,530</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 196,289	\$ 208,970
Accrued payroll and other benefits	<u>27,971</u>	<u>20,422</u>
Total liabilities	<u>224,260</u>	<u>229,392</u>
NET ASSETS		
Without donor restrictions	4,646,839	4,562,125
With donor restrictions	<u>94,528</u>	<u>292,013</u>
Total net assets	<u>4,741,367</u>	<u>4,854,138</u>
Total liabilities and net assets	<u>\$ 4,965,627</u>	<u>\$ 5,083,530</u>

Yerba Buena Community Benefit District
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE						
Assessment revenue	\$ 3,176,246	\$ -	\$ 3,176,246	\$ 3,078,768	\$ -	\$ 3,078,768
Contributions	29,649	350	29,999	45,059	275,000	320,059
Other income	47,880	-	47,880	25,437	-	25,437
Investment income	20,023	-	20,023	36,351	-	36,351
Net assets released from restrictions	197,835	(197,835)	-	18,359	(18,359)	-
Total support and revenue	<u>3,471,633</u>	<u>(197,485)</u>	<u>3,274,148</u>	<u>3,203,974</u>	<u>256,641</u>	<u>3,460,615</u>
EXPENSES						
Program services	2,953,417	-	2,953,417	2,646,079	-	2,646,079
Supporting services:						
Management and operations	393,477	-	393,477	316,348	-	316,348
Fundraising	40,025	-	40,025	33,756	-	33,756
Total expenses	<u>3,386,919</u>	<u>-</u>	<u>3,386,919</u>	<u>2,996,183</u>	<u>-</u>	<u>2,996,183</u>
Change in net assets	84,714	(197,485)	(112,771)	207,791	256,641	464,432
NET ASSETS, at beginning 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>
NET ASSETS, at end of year	<u>\$ 4,646,839</u>	<u>\$ 94,528</u>	<u>\$ 4,741,367</u>	<u>\$ 4,562,125</u>	<u>\$ 292,013</u>	<u>\$ 4,854,138</u>

Yerba Buena Community Benefit District
Statement of Functional Expenses
Year Ended June 30, 2020

	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	\$ -	\$ 760,745	\$ -	\$ -	\$ 760,745	\$ -	\$ -	\$ 760,745
Cleaning contract	786,262	-	-	-	786,262	-	-	786,262
Public safety	-	461,649	-	-	461,649	-	-	461,649
Salaries and benefits	85,012	95,885	130,498	-	311,395	172,555	40,025	523,975
Consulting fees	36,756	-	5,880	-	42,636	85,227	-	127,863
Grants	20,000	15,000	112,000	-	147,000	-	-	147,000
Events	-	-	111,911	-	111,911	1,000	-	112,911
Greening expenses	15,655	-	-	-	15,655	-	-	15,655
Marketing and branding	-	-	59,661	-	59,661	-	-	59,661
Rent and utilities	9,717	10,159	9,938	-	29,814	21,125	-	50,939
In-kind goods and services	-	5,029	8,000	-	13,029	12,575	-	25,604
Depreciation and amortization	-	-	-	-	-	49,492	-	49,492
Other expenses	177,358	-	6,641	5,312	189,311	26,124	-	215,435
Office supplies and postage	-	-	4,690	-	4,690	10,864	-	15,554
Bad debt expense	-	-	-	-	-	14,515	-	14,515
Uniforms	8,733	10,926	-	-	19,659	-	-	19,659
Total expenses	\$ 1,139,493	\$ 1,359,393	\$ 449,219	\$ 5,312	\$ 2,953,417	\$ 393,477	\$ 40,025	\$ 3,386,919

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
Total expenses	\$ 953,750	\$ 1,234,552	\$ 455,917	\$ 1,860	\$ 2,646,079	\$ 316,348	\$ 33,756	\$ 2,996,183

Yerba Buena Community Benefit District
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (112,771)	\$ 464,432
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized loss (gain)	4,092	(4,587)
Change in allowance for bad debt	14,515	(57,279)
Depreciation and amortization	49,492	37,506
Change in operating assets and liabilities:		
Assessments receivable	(13,971)	169,334
Prepaid expenses	(901)	(2,087)
Accounts payable and accrued expenses	(12,681)	(319,882)
Accrued payroll and other benefits	7,549	(2,275)
	<u> </u>	<u> </u>
Net cash (used in) provided by operating activities	<u>(64,676)</u>	<u>285,162</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of certificates of deposit	-	(1,980,000)
Proceeds on maturity of certificates of deposit	744,476	1,482,218
Purchase of capital assets	(3,535)	(69,855)
Proceeds from (payments on) loan receivable	300,000	(300,000)
	<u> </u>	<u> </u>
Net cash provided by (used in) from investing activities	<u>1,040,941</u>	<u>(867,637)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	976,265	(582,475)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,417,854</u>	<u>4,000,329</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,394,119</u>	<u>\$ 3,417,854</u>

Yerba Buena Community Benefit District

Notes to Financial Statements

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 14 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

- **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.
- **Annie Street Project** – The Annie North Plaza project is made possible through a public private partnership between San Francisco Public Works, the YBCBD, and the adjacent property owners to the plaza. The new design will remove old planters at the intersection of Market Street and Annie Alley to meet several goals of the YBCBD's 2019 Street Life Plan, such as creating more flexible open space, and establishing better connections to alleyways (Annie, Jessie, and Stevenson). The project broke ground in calendar year 2019 and is expected to be completed in calendar year 2020.

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. Board-designated net assets were \$4,646,839 and \$4,562,125 as of June 30, 2020 and 2019.

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 using maturity and interest rates as observable inputs.

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

Yerba Buena Community Benefit District Notes to Financial Statements

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, 2020 and 2019, the allowance for uncollectible assessments was \$162,653 and \$148,138, 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 was repaid in the current year before the due date of July 1, 2020. As of June 30, 2020 and 2019, the loan receivable balance was \$0 and \$300,000, 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 statements 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, 2020 and 2019.

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, 2020 and 2019, was \$27,971 and \$20,422, 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

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, 2020 and 2019, 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, 2020 and 2019, the YBCBD received contributed goods and services in the amounts of \$25,604 and \$43,999, respectively.

Advertising – The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2020 and 2019, was \$24,184 and \$27,191, 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, 2020 and 2019, 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, 2020 and 2019, 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

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 Federal Deposit Insurance Corporation (“FDIC”) thresholds. 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, 2020, 47% of assessments receivable were due from three property owners. As of June 30, 2019, 57% 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 position, changes in net assets, 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 fiscal year ended June 30, 2020, the YBCBD adopted Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*. The adoption did not have a significant impact on the financial statements.

During the fiscal year ended June 30, 2020, the YBCBD also adopted ASU 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments*. The adoption did not have a significant impact on the financial statements.

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. The YBCBD 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. The YBCBD’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

Notes to 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, 2020 and 2019.

Certificates of deposit: The fair value is based on maturity and interest rates as observable inputs. 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 248,682</u>	<u>\$ -</u>	<u>\$ 248,682</u>

The following table provides information about YBCBD's financial assets measured at fair value on 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>

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, 2020 and 2019.

Yerba Buena Community Benefit District
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS

	2020	2019
Public art	\$ 352,447	\$ 352,447
Website development	32,000	32,000
Street furniture	40,424	40,424
Furniture and equipment	30,940	10,773
	455,811	435,644
Less accumulated depreciation	(163,112)	(114,794)
	292,699	320,850
Construction in progress	5,049	22,855
Total capital assets	\$ 297,748	\$ 343,705

NOTE 4 – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	2020	2019
Board-designated:		
Cleaning and Streetscape Improvements	\$ 2,551,898	\$ 2,255,269
Management and operations	1,552,184	1,378,477
Safety and security	138,967	473,350
Branding, activation, and marketing	106,042	111,324
Sponsored projects:		
Invested in capital assets	297,748	343,705
Total	\$ 4,646,839	\$ 4,562,125

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Sponsored projects:		
Annie Street	\$ 94,528	\$ 275,000
Sites Unseen	-	17,013
Total	\$ 94,528	\$ 292,013

Yerba Buena Community Benefit District

Notes to Financial Statements

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 were as follows:

	<u>2020</u>	<u>2019</u>
Sponsored projects:		
Annie Street	\$ 180,822	\$ -
Sites Unseen	17,013	16,859
Other	-	1,500
	<u> </u>	<u> </u>
Total	<u>\$ 197,835</u>	<u>\$ 18,359</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, 2020 and 2019, was \$147,000 and \$152,500, respectively. Grants payable at June 30, 2020 and 2019, were \$0 and \$7,500, 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 has a month-to-month operating lease agreement for office space in San Francisco, California.

The YBCBD also is obligated under a non-cancellable lease for office equipment that requires monthly lease payments and expires in November 2022.

The following is a schedule of minimum non-cancellable lease commitments:

<u>Year Ending December 31,</u>	
2021	\$ 37,861
2022	31,401
	<u> </u>
	<u>\$ 69,262</u>

Rent expense for the years ended June 30, 2020 and 2019, was \$73,549, and \$50,672, respectively.

Yerba Buena Community Benefit District

Notes to Financial Statements

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, 2020 and 2019, was \$44,261 and \$45,592, 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:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 4,394,119	\$ 3,417,854
Certificates of deposit	248,682	997,250
Assessment receivables, net	-	544
Loans receivable, net	<u>-</u>	<u>300,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,642,801</u>	<u>\$ 4,715,648</u>

All financial assets are available for general expenditure within one year of June 30, 2020 and 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 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

In 2020, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The outbreak has disrupted economic markets and increased volatility. The duration and economic impact of the outbreak is uncertain but could have a material impact to the YBCBD's liquidity.

Yerba Buena Community Benefit District Notes to Financial Statements

The YBCBD has evaluated subsequent events through September 18, 2020, which is the date the financial statements were available to be issued.

