

YERBA BUENA CENTER FOR THE ARTS
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Years Ended
June 30, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yerba Buena Center for the Arts
San Francisco, California

We have audited the accompanying statements of financial position of the Yerba Buena Center for the Arts (a California nonprofit public benefit corporation) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Yerba Buena Center for the Arts's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Yerba Buena Center for the Arts as of June 30, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the Yerba Buena Center for the Arts. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Doran & Associates

November 23, 2009

YERBA BUENA CENTER FOR THE ARTS
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 3,743,367	\$ 2,497,232
Contributions, grants and contracts receivable, current portion, net of allowance for doubtful accounts of \$42,476 in 2009 and \$21,708 in 2008 (Note 1)	1,090,221	557,179
Other receivables	30,450	27,097
Prepaid expenses	90,101	220,414
Deposits	<u>26,717</u>	<u>49,516</u>
Total current assets	<u>4,980,856</u>	<u>3,351,438</u>
Contributions, grants and contracts receivable, net of current portion and allowances for doubtful accounts and present value discount of \$491,305 in 2009 and \$628,028 in 2008 (Note 1)	<u>1,740,514</u>	<u>2,276,518</u>
Long-term investments:		
Cash and cash equivalents (Note 1)	241,744	326,747
Marketable equity securities (Notes 1 and 3)	<u>3,090,414</u>	<u>3,496,010</u>
Total long-term investments	<u>3,332,158</u>	<u>3,822,757</u>
Fixtures and equipment, net of accumulated depreciation of \$1,277,190 in 2009 and \$1,200,906 in 2008 (Notes 1 and 4)	<u>317,345</u>	<u>336,189</u>
Total assets	<u>\$ 10,370,873</u>	<u>\$ 9,786,902</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 957,072	\$ 553,467
Deposits and refundable advances (Note 1)	150,515	268,974
Other deferred income	<u>1,676,869</u>	<u>-</u>
Total liabilities	<u>2,784,456</u>	<u>822,441</u>
Net assets:		
Unrestricted net assets	984,470	1,643,355
Temporarily restricted net assets (Note 6)	4,740,732	5,459,891
Permanently restricted net assets (Note 7)	<u>1,861,215</u>	<u>1,861,215</u>
Total net assets	<u>7,586,417</u>	<u>8,964,461</u>
Total liabilities and net assets	<u>\$ 10,370,873</u>	<u>\$ 9,786,902</u>

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

YERBA BUENA CENTER FOR THE ARTS
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES
For the year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT AND TRANSFERS				
Support from San Francisco Redevelopment Agency (Note 2)	\$ 3,391,927	\$ 163,073	\$ -	\$ 3,555,000
Contributions	924,970	136,850	-	1,061,820
Box office ticket sales and gallery admissions	311,403	-	-	311,403
Subsidized community programs	797,264	-	-	797,264
Commercial rentals	984,243	-	-	984,243
Special events	278,800	-	-	278,800
Raffle ticket sales	2,952,631	-	-	2,952,631
Naming revenue	-	111,273	-	111,273
Investment income/(loss) (Note 3)	(155,404)	(3,795)	-	(159,199)
Investment income/(loss) (endowment) (Note 3)	(191,389)	(6,421)	-	(197,810)
Box office service charges	99,869	-	-	99,869
Marketing and advertising sales	99,134	-	-	99,134
Traveling exhibition fees	58,182	-	-	58,182
Other income	19,456	-	-	19,456
Net assets released from restriction (Note 6)	<u>1,120,139</u>	<u>(1,120,139)</u>	<u>-</u>	<u>-</u>
Total revenue, support and transfers	<u>10,691,225</u>	<u>(719,159)</u>	<u>-</u>	<u>9,972,066</u>
EXPENSES				
Program services:				
Performing arts	1,539,432	-	-	1,539,432
Visual arts	2,046,104	-	-	2,046,104
Film/video	425,258	-	-	425,258
Community engagement	790,803	-	-	790,803
Subsidized community programs	1,419,186	-	-	1,419,186
Commercial rentals	930,948	-	-	930,948
Total program services	<u>7,151,731</u>	<u>-</u>	<u>-</u>	<u>7,151,731</u>
Support services:				
General administration & operations:				
General and administration	523,469	-	-	523,469
Facilities	504,973	-	-	504,973
Fundraising:				
General fundraising	1,211,608	-	-	1,211,608
Dream House raffle	1,958,329	-	-	1,958,329
Total supporting services	<u>4,198,379</u>	<u>-</u>	<u>-</u>	<u>4,198,379</u>
Total expenses	<u>11,350,110</u>	<u>-</u>	<u>-</u>	<u>11,350,110</u>
Change in net assets	(658,885)	(719,159)	-	(1,378,044)
Net assets, beginning of year	<u>1,643,355</u>	<u>5,459,891</u>	<u>1,861,215</u>	<u>8,964,461</u>
Net assets, end of year	<u>\$ 984,470</u>	<u>\$ 4,740,732</u>	<u>\$ 1,861,215</u>	<u>\$ 7,586,417</u>

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

YERBA BUENA CENTER FOR THE ARTS
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)
For the year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT AND TRANSFERS				
Support from San Francisco				
Redevelopment Agency (Note 2)	\$ 3,391,927	\$ 163,073	\$ -	\$ 3,555,000
Contributions	1,143,581	1,276,221	-	2,419,802
Box office ticket sales and gallery admissions	345,195	-	-	345,195
Subsidized community programs	981,850	-	-	981,850
Commercial rentals	1,120,614	-	-	1,120,614
Special events	10,323	-	-	10,323
Naming revenue	272,727	2,127,545	-	2,400,272
Investment income/(loss) (endowment) (Note 3)	-	(123,850)	-	(123,850)
Investment income/(loss) (Note 3)	(103,325)	51,146	-	(52,179)
Box office service charges	119,399	-	-	119,399
Marketing and advertising sales	152,585	-	-	152,585
Traveling exhibition fees	72,412	-	-	72,412
Other income	35,514	-	-	35,514
Net assets released from restriction (Note 6)	<u>942,568</u>	<u>(942,568)</u>	<u>-</u>	<u>-</u>
Total revenue, support and transfers	<u>8,485,370</u>	<u>2,551,567</u>	<u>-</u>	<u>11,036,937</u>
EXPENSES				
Program services:				
Performing arts	1,495,128	-	-	1,495,128
Visual arts	1,845,749	-	-	1,845,749
Film/video	433,734	-	-	433,734
Community engagement	570,498	-	-	570,498
Subsidized community programs	1,589,017	-	-	1,589,017
Commercial rentals	916,467	-	-	916,467
Total program services	<u>6,850,593</u>	<u>-</u>	<u>-</u>	<u>6,850,593</u>
Support services:				
General administration & operations:				
General and administration	516,505	-	-	516,505
Facilities	477,837	-	-	477,837
Fundraising	680,556	-	-	680,556
Total supporting services	<u>1,674,898</u>	<u>-</u>	<u>-</u>	<u>1,674,898</u>
Total expenses	<u>8,525,491</u>	<u>-</u>	<u>-</u>	<u>8,525,491</u>
Change in net assets	(40,121)	2,551,567	-	2,511,446
Net assets, beginning of year	<u>1,683,476</u>	<u>2,908,324</u>	<u>1,861,215</u>	<u>6,453,015</u>
Net assets, end of year	<u>\$ 1,643,355</u>	<u>\$ 5,459,891</u>	<u>\$ 1,861,215</u>	<u>\$ 8,964,461</u>

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

YERBA BUENA CENTER FOR THE ARTS
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ (1,378,044)</u>	<u>\$ 2,511,446</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	118,244	172,149
Loss on disposal of assets	-	3,488
Net realized/unrealized loss on investments	494,116	376,984
Change in allowance for doubtful accounts	20,768	9,242
Change in discount on long-term contracts and promises to give	(136,723)	627,278
Changes in assets and liabilities:		
Contributions, grants and contracts receivable	118,917	(3,131,001)
Other receivables	(3,353)	(19,446)
Accrued interest	3,373	4,043
Prepaid expenses and deposits	153,112	(46,669)
Accounts payable and accrued expenses	2,080,474	130,723
Refundable advances	(118,459)	(97,612)
Total adjustments	<u>2,730,469</u>	<u>(1,970,821)</u>
Net cash provided by operating activities	<u>1,352,425</u>	<u>540,625</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,210,058)	(1,386,689)
Proceeds from sales and maturities of investments	1,118,165	1,496,214
Increase (decrease) in long-term cash and cash equivalents	85,003	(138,051)
Purchase of fixtures and equipment	(99,400)	(251,715)
Net cash used by investing activities	<u>(106,290)</u>	<u>(280,241)</u>
Net increase in cash and cash equivalents	1,246,135	260,384
Cash and cash equivalents, beginning of year	<u>2,497,232</u>	<u>2,236,848</u>
Cash and cash equivalents, end of year	<u>\$ 3,743,367</u>	<u>\$ 2,497,232</u>

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

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Yerba Buena Center for the Arts (YBCA) is an independent nonprofit arts institution, created and built by the San Francisco Redevelopment Agency (SFRA). Comprising two landmark buildings – the Galleries and Forum, designed by Japanese architect Fumihiko Maki, and the Theater, designed by American architect James Stewart Polshek – YBCA opened in October 1993 and anchors the dynamic Yerba Buena Cultural District in downtown San Francisco.

As a 501(c)(3) nonprofit organization, YBCA is contracted by the SFRA to create and sustain a program of art and artists in a manner that establishes YBCA as a serious cultural institution within a first class, mixed use, downtown urban complex. To that end, YBCA presents contemporary art from the Bay Area and around the world that reflects the profound issues and ideas of our time, expands the boundaries of artistic practice, and celebrates the diversity of human experience and expression. YBCA works continuously to break new ground with its programs in visual art, performance and film/video, and to connect those programs to a broad cross section of the community.

In addition to its funding from the SFRA, YBCA receives support from public and private foundations, corporations and individuals. It also earns revenue through ticket sales, gallery admissions, facilities rental and other revenue generating programs.

YBCA is committed to innovation in its practices, exceptional diversity in the range of art presented and the engagement of audiences with art that speaks to the ideas and issues of the contemporary world. Programs include:

- Performing Arts - Performing Arts programs include contemporary theater, dance, music, and multidisciplinary performances in both the Theatre and the Forum and from local, national and international artists.
- Visual Arts - Visual Arts exhibitions at YBCA focus on contemporary art of all types, also by local, national and international artists.
- Film/Video - Film/Video programs feature contemporary film from around the world and includes both YBCA curated screenings and co-presentations with community partners.
- Community Engagement - Community Engagement programs provide a range of opportunities for patrons to explore contemporary art through public programs and events. It also creates and manages the YBCA youth programs.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Subsidized Community Programs - YBCA makes its facilities available to local and Bay Area nonprofit organizations, providing subsidized rental rates and services.
- Commercial Rental Program - YBCA rents its facilities to commercial entities in order to generate revenue to support its Arts and Community Programs.

Basis of Presentation - The financial statements are presented on the accrual basis of accounting and reflect unrestricted, temporarily restricted, and permanently restricted net assets.

Method of Accounting - To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of YBCA are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net assets that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset group as follows:

Unrestricted net assets - These generally result from revenues generated by providing services, receiving unrestricted contributions, and receiving interest from banks less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily restricted net assets - YBCA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - These stipulate that resources be maintained permanently but permit the organization to use up or expend part or all of the income (or other economic benefits) derived from the donated assets.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Accounts Receivable - Receivables include contributions receivable, grants receivable, and other receivables. Contributions and grants receivable are recognized when an unconditional promise to give is received.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for doubtful accounts - Potential bad debt is accounted for by the allowance method based on historical experience and management evaluation of outstanding grants, contributions receivable, and accounts receivable. The allowance for doubtful accounts was \$42,476 as of June 30, 2009 and \$21,708 as of June 30, 2008.

Discount on noncurrent contributions, grants and contracts receivable - Noncurrent receivables are defined as promises to give and contracted obligations to pay YBCA that will not be received by the end of the next fiscal year (June 30, 2010). Noncurrent receivables are presented net of a discount based on the market conditions and management evaluation of outstanding grants, contributions receivable, and accounts receivable to reflect their present value. The discount for noncurrent receivables was \$491,305 as of June 30, 2009 and \$628,028 as of June 30, 2008. Receivables, net of allowances and discounts, are expected to be collected in future periods as follows:

<u>Year ended June 30,</u>		
2010	\$	1,090,221
2011		304,332
2012		242,727
2013		229,091
2014		216,000
Thereafter		<u>748,364</u>
	<u>\$</u>	<u>2,830,735</u>

Long-Term Investments - Investments are reported at their estimated fair value and consist of corporate bonds, U.S. treasury instruments, equity securities, and international funds, collectively referred to as marketable securities. Investments received by gift are recorded at fair value at the date of the donation. Gains or losses that result from market fluctuations are recognized in the period such fluctuations occur.

New Accounting Pronouncement, FAS-157, Fair Value Measurements - In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157 (FAS-157), *Fair Value Measurements*. FAS-157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of FAS-157 are effective for YBCA for fiscal years beginning January 1, 2008. The adoption of FAS-157 did not have a material impact on the organization's financial statements.

Fixtures and equipment - Fixtures and equipment purchased are stated principally at cost; assets acquired by contribution or bequest are stated at market value or net book value at the date of acquisition. YBCA capitalizes fixtures and equipment with a cost of \$3,000 or more, effective July 1, 2008, and \$1,000 or more prior to July 1, 2008, and a useful life in excess of one year. Depreciation is recognized using the straight-line method over the useful life of the assets, which range from 3 to 13 years. Maintenance and repairs are charged to expense as incurred.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition - Contributions received are recognized as revenue when received or unconditionally promised. YBCA reports gifts of cash and other assets as temporarily restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Temporarily restricted contributions are reported as unrestricted support when the restriction is met in the same period as the contribution is received.

YBCA recognizes revenue from box office sales, facility rentals, traveling exhibitions, and special events when the event is held. Any advance ticket sales or pre-payments on the rental of the facility are classified as refundable advances and deferred until the completion of the event.

In-kind contributions - In-kind contributions consist of donated goods and services related to the marketing design work, advertising and other items typically used for special events sponsored by YBCA. The estimated fair value of these donations was \$73,459 and \$75,425 for the years ended June 30, 2009 and 2008, respectively, and is reflected in the accompanying Statements of Activities.

Functional expense allocations - Certain expenses, such as supplies, travel, personnel, and plant maintenance operations, are allocated among program services and supporting services based on allocation methods and estimates made by YBCA's management.

Costs of joint activities - Costs of joint activities that are identifiable with a particular function are charged to that function, and joint costs are allocated between fund-raising and the appropriate program or management and general function. Joint costs were incurred by YBCA for personnel, hosting, and design for YBCA's website and for performance programs and event calendars. Of the total joint costs incurred of \$215,993 in fiscal year 2009, \$19,041 has been allocated to fundraising, \$188,244 has been allocated to marketing, and \$8,708 to administration. Of the total joint costs incurred of \$337,730 in fiscal year 2008, \$37,190 has been allocated to fundraising, \$274,873 has been allocated to marketing, and \$25,667 to administration.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status - YBCA is a nonprofit organization exempt from income tax under section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California. In addition, YBCA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - Subsequent events have been evaluated through November 23, 2009, which is the date the financial statements were available to be issued.

New Accounting Pronouncement, Uniform Prudent Management of Institutional Funds Act (UPMIFA) and California's State Prudent Management of Institutional Funds Act (SPMIFA) - In 2008, SB1329 was adopted, changing the rules governing the investment of funds by a nonprofit public benefit corporation. The new legislation will apply to newly created investment funds, as well as existing funds held as of January 1, 2009 (see Note 7).

NOTE 2 OPERATING AGREEMENT

In 1990 YBCA entered into an Operating Agreement (Agreement) with the San Francisco Redevelopment Agency (the SFRA) for an initial term of 15 years. In June 2004, YBCA and the SFRA entered into an agreement to provide for an extended term of fifteen years as well as the possibility of additional extensions through June 30, 2094. With the June 2004 agreement, a funding level of \$3,555,000 for administrative and operational expenses was established. This funding level remains constant throughout the term of the agreement, except as adjusted by the SFRA from time to time as a result of a consultation process defined in the agreement.

YBCA's facilities are owned by the SFRA and were financed from the sale of property in the Yerba Buena Center and an issue of bonds approved by the Board of Supervisors of the City and County of San Francisco. YBCA is not responsible for the bond obligations. YBCA is responsible for raising the funds for its arts and education programs.

NOTE 3 MARKETABLE EQUITY SECURITIES

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the year ended June 30, 2009, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair Value Measurements at June 30, 2009, Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Corporate bonds	\$ 295,905	\$ -	\$ -	\$ 295,905
Government bonds	424,244	-	-	424,244
Treasury notes	53,014	-	-	53,014
Common stocks	2,245,079	-	-	2,245,079
International funds	72,172	-	-	72,172
	<u>\$ 3,090,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,090,414</u>

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 3 MARKETABLE SECURITIES (CONTINUED)

The cost and estimated fair market value of the investment portfolio as of June 30, 2008, are as follows:

	Market Value	Cost
Corporate bonds	\$ 498,957	\$ 481,397
Government bonds	586,277	571,166
Treasury notes	52,352	49,640
Common stocks	2,182,258	2,134,809
International funds	176,166	221,239
	<u>\$ 3,496,010</u>	<u>\$ 3,458,251</u>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended June 30, 2009 and 2008:

	2009	2008
Interest and dividends	\$ 137,107	\$ 200,954
Gain/(loss) on sale of investments	13,484	(9,812)
Unrealized gains/(loss)	<u>(507,600)</u>	<u>(367,171)</u>
Total investment income/(loss)	<u>\$ (357,009)</u>	<u>\$ (176,029)</u>
Investment income/(loss) - endowment	\$ (197,810)	\$ (123,850)
Investment income/(loss) - other	<u>(159,199)</u>	<u>(52,179)</u>
Total investment income/(loss)	<u>\$ (357,009)</u>	<u>\$ (176,029)</u>

Investment fees for the years ended June 30, 2009 and 2008, amounted to \$27,378 and \$24,777, respectively.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 4 FIXTURES AND EQUIPMENT

Fixtures and equipment consisted of the following as of June 30, 2009 and 2008:

	2009	2008
Computer equipment and software	\$ 418,011	\$ 375,592
Furniture	64,811	64,810
Office equipment	2,449	2,450
Architectural model	-	41,961
Leasehold improvements	472,062	472,062
Other equipment and machinery	637,202	580,220
Total	1,594,535	1,537,095
Less: accumulated depreciation	(1,277,190)	(1,200,906)
 Fixtures and equipment, net	 \$ 317,345	 \$ 336,189

Depreciation expense for the years ended June 30, 2009 and 2008, is \$118,244 and \$172,149, respectively.

NOTE 5 SFRA RESERVES

Under its operating agreement with the SFRA, YBCA receives funding on a yearly basis (see Note 2). The agreement requires YBCA to set aside 5% of its annual appropriation from the SFRA into an interior reserve fund, which amounts are to be used for minor capital improvements and alterations, repairs, and replacements in the interior of YBCA's two buildings. If at any time the amount of funds in this reserve is more than 50% of the SFRA's annual appropriation, no additional funds need be deposited into the reserve.

The agreement further requires that 4% of the annual appropriation from the SFRA be placed in an operating reserve fund to be used for cash flow purposes during the year; however, any expenditures made with these amounts are to be recouped from earned or contributed income so that there is no net reduction in the operating reserve from year to year. The only circumstance in which SFRA will permit a reduction in the reserve to occur is if SFRA is not able to provide full funding to YBCA. If at anytime the amount of funds in this reserve is more than 25% of the SFRA's annual appropriation, no additional funds need be deposited into the reserve. Due to the level of the operating reserves, YBCA did not have to deposit any funds into the operating reserve during the years ended June 30, 2009 and 2008.

The amounts placed in the interior reserve fund were recorded as temporarily restricted revenues when received. The funds cannot be expended without the advance written approval of the SFRA. The total amounts expended from the interior reserve during 2009 and 2008 were \$163,170 and \$280,415, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2009 and 2008, as follows:

	<u>2009</u>	<u>2008</u>
SFRA interior reserve	\$ 873,726	\$ 868,946
SFRA operating reserve	1,217,626	1,226,299
Gardens program	5,295	5,295
General administrative and support	1,966,090	2,130,065
Future program activities	677,995	1,143,453
Accumulated endowment income	<u>-</u>	<u>85,833</u>
	<u>\$ 4,740,732</u>	<u>\$ 5,459,891</u>

Net assets were released from donor restrictions during the years ended June 30, 2009 and 2008, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2009</u>	<u>2008</u>
Performing arts	\$ 158,000	\$ 237,500
Visual arts	56,000	107,500
Community engagement	350,309	195,771
Interior reserve	163,170	280,415
General administrative and support	313,247	42,500
Accumulated endowment income	<u>79,413</u>	<u>78,882</u>
	<u>\$ 1,210,139</u>	<u>\$ 942,568</u>

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT

YBCA's endowment consists of two investment accounts established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Law - The Board of Directors of YBCA has interpreted the California State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, YBCA classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if applicable.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

Interpretation of Law (Continued) - The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (208,764)	\$ -	\$ 1,861,215	\$ 1,652,451
Total funds	<u>\$ (208,764)</u>	<u>\$ -</u>	<u>\$ 1,861,215</u>	<u>\$ 1,652,451</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2008	\$ (3,652)	\$ 85,833	\$ 1,861,215	\$ 1,943,396
Investment return:				
Interest and dividends	-	55,108	-	55,108
Realized gain	-	12,359	-	12,359
Unrealized loss	(191,390)	(73,887)	-	(265,277)
Investment fees	(13,722)	-	-	(13,722)
Total investment return	<u>(205,112)</u>	<u>(6,420)</u>	<u>-</u>	<u>(211,532)</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(79,413)</u>	<u>-</u>	<u>(79,413)</u>
Endowment net assets, June 30, 2009	<u>\$ (208,764)</u>	<u>\$ -</u>	<u>\$ 1,861,215</u>	<u>\$ 1,652,451</u>

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**NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008**

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) for the Fiscal Year Ended June 30, 2009

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained Permanently either by explicit donor stipulation of SPMIFA	\$ 1,861,215
Total endowment funds classified as permanently restricted net assets	<u>\$ 1,861,215</u>

Temporarily Restricted Net Assets

Term endowment funds	\$ -
The portion of perpetual endowment funds subject to a time restriction under SPMIFA:	
Without purpose restrictions	-
With purpose restrictions	<u>-</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ -</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$(208,764) as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred as a part of a national economic and market decline and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

YBCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the market index, or blended market index, selected and agreed upon by the Finance and Operations Committee, that most closely corresponds to the style of investment management. YBCA expects its endowment funds to meet or exceed the median returns of an appropriate universe of institutional-quality investment managers over a three year horizon for equity investments and a five year horizon for fixed income investments. YBCA expects its endowment funds, over time, to provide a reasonable rate of return. Actual returns in any given year may vary.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, YBCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

YBCA has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over a twelve quarter moving average, but will be set each year as part of the annual budget process. Other withdrawals are only permitted at the authorization of the Board of Directors. In establishing this policy, the organization considered its long-term expected return on its endowment. Accordingly, over the long-term, the organization expects the current spending policy to allow its endowment to grow by an amount equal to the rate of return, less the spending policy. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 8 TAX-DEFERRED ANNUITY PLAN

YBCA has an employer contributory tax-deferred annuity plan as established under Internal Revenue Code Section 403(b). In January 2005, YBCA established a second 403(b) plan that provides a wider range of investment options and lower investment fees for employees. Employees who have participated in the original 403(b) plan may choose to transfer assets from the old plan to the new plan. New employees that become eligible for participation are enrolled in the new plan.

The eligibility for both plans is the same: all employees after achieving 1,000 hours annually are eligible for participation in the plan except for any employees who are covered under a collective bargaining agreement. All participants are 100% vested in the employee and employer contributions. Total contributions made by YBCA for 2009 and 2008 were \$57,040 and \$57,543, respectively.

NOTE 9 CONCENTRATIONS AND CREDIT RISK

Cash - Financial instruments that potentially subject YBCA to credit risk consist primarily of cash, cash equivalents, investments, and accounts receivable. YBCA maintains cash and cash equivalents with commercial banks and other major financial institutions. At June 30, 2009, YBCA had approximately \$2,374,000 in excess of the federal depository insurance limit of \$250,000. Cash equivalents include money market funds. At June 30, 2009, YBCA had approximately \$3,818,000 in investments above the \$500,000 per account Securities Investor Protection Corporation (SIPC) insurance limit.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008

NOTE 9 CONCENTRATIONS AND CREDIT RISK (Continued)

Contributions and grants receivable - As of June 30, 2009, contributions, grants and contracts receivable included amounts due from three institutions that represent 94% of the gross contribution and grants receivable balance due. As of June 30, 2008, this number was 96%.

Revenues and support - For the years ended June 30, 2009 and 2008, approximately 31% and 40%, respectively, of YBCA's unrestricted revenue and support was provided by the San Francisco Redevelopment Agency in accordance with an operating agreement that will expire in 2019 (see Notes 2 and 5).

Labor - YBCA utilizes members of the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, its Territories, and Canada Local No. 16 (Local 16 I.A.T.S.E.) for a significant portion of the labor related to the various performances sponsored by YBCA. The contract with Local 16 I.A.T.S.E. was renewed for a three-year term beginning July 1, 2009.

NOTE 10 RISKS, UNCERTAINTIES AND CONCENTRATIONS

The Corporation relies on a significant amount of funding received in the form of donations and grants from individuals and foundations as well as investment income to support its operations. The current global financial markets and discussions of a U.S. economic downturn may have an impact on the level of funding provided by these funding sources and the market value of marketable equity securities held by the Corporation. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Corporation's exposure to impact from these events.

SUPPLEMENTARY INFORMATION

YERBA BUENA CENTER FOR THE ARTS
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SCHEDULES OF FUNCTIONAL EXPENSES
For the year ended June 30, 2009

	Program Services						Supporting Services				Total
	Performing Arts	Visual Arts	Film/Video	Community Engagement	Subsidized Community Programs	Commercial Rentals	General Administration and Operation		Fundraising		
							General Admin	Facilities	Fund-Raising	Dream House Raffle	
Salaries, payroll taxes and benefits	\$ 457,357	\$ 719,672	\$ 224,036	\$ 491,320	\$ 455,155	\$ 186,653	\$ 192,860	\$ 120,617	\$ 515,133	\$ 476,375	\$ 3,839,178
Artist fees and expenses	418,499	137,971	6,000	20,810	-	-	-	-	4,635	-	587,915
Program and production expenses	294,346	623,938	97,718	162,112	603,940	628,045	235,698	11,282	154,879	297,073	3,109,031
Marketing & public relations	197,202	181,225	61,741	41,013	47,631	6,351	14,968	-	11,326	1,181,456	1,742,911
Membership and cultivation	-	-	-	-	-	-	-	-	457,071	-	457,071
Security and janitorial services	50,745	197,867	3,288	14,476	113,790	35,902	31,055	154,131	13,256	-	614,322
Equipment maintenance and supplies	38,726	43,415	13,431	23,609	59,847	24,154	17,454	64,484	22,866	36	308,022
Utilities	31,904	46,858	2,202	5,659	70,638	13,534	20,784	110,716	2,490	-	304,785
Insurance	13,907	41,586	4,359	7,732	18,118	10,797	188	14,141	14,338	42	125,208
Office supplies	2,023	4,992	996	939	2,266	1,174	72	1,578	2,399	9	16,478
Miscellaneous expense	490	868	591	3,625	474	55	59	113	6,021	3,101	15,397
Depreciation	21,354	24,508	8,304	11,373	22,812	8,211	5,365	12,836	3,293	188	118,244
Interior Reserve	12,879	23,404	2,582	8,133	24,485	16,072	4,968	15,075	3,901	49	111,548
Total	\$ 1,539,432	\$ 2,046,104	\$ 425,258	\$ 790,803	\$ 1,419,186	\$ 930,948	\$ 523,469	\$ 504,973	\$ 1,211,608	\$ 1,968,329	\$ 11,350,110

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SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended June 30, 2008

	Supporting Services											
	Program Services					General Administration and Operation					Fund-Raising	Total
	Performing Arts	Visual Arts	Film/Video	Community Engagement	Subsidized Community Programs	Commercial Rentals	General Admin	Facilities	Fund-Raising	Total		
Salaries, payroll taxes and benefits	\$ 369,155	\$ 614,458	\$ 191,725	\$ 334,521	\$ 475,101	\$ 203,555	\$ 158,788	\$ 124,952	\$ 420,937	\$ 2,893,192		
Artist fees and expenses	439,596	85,905	6,250	12,555	-	-	-	-	6,223	550,529		
Program and production expenses	269,870	519,091	107,242	131,526	792,726	583,051	237,916	50,485	38,380	2,730,287		
Marketing & public relations	278,462	183,559	94,608	42,858	30,880	3,887	28,676	-	36,958	699,888		
Membership and cultivation	-	-	-	-	-	-	-	-	128,888	128,888		
Security and janitorial services	41,633	242,359	2,934	6,122	117,928	47,852	30,392	140,087	7,991	637,298		
Equipment maintenance and supplies	26,744	16,264	8,580	13,011	33,883	16,774	8,388	26,996	12,713	163,353		
Utilities	23,689	53,515	2,237	3,966	62,818	21,256	23,235	103,581	1,830	296,127		
Insurance	15,009	71,409	4,290	5,600	14,838	9,256	517	12,353	6,659	139,931		
Office supplies	3,962	6,088	1,482	2,325	4,446	2,306	354	3,109	4,228	28,300		
Miscellaneous expense	301	490	429	458	73	34	93	-	4,845	6,723		
Depreciation	19,388	36,497	9,605	12,544	36,337	15,946	20,885	14,058	6,890	172,150		
Interior Reserve	7,319	16,114	4,352	5,012	19,987	12,550	7,261	2,216	4,014	76,925		
Total	\$ 1,495,128	\$ 1,845,749	\$ 433,734	\$ 570,498	\$ 1,589,017	\$ 916,467	\$ 516,505	\$ 477,837	\$ 680,556	\$ 8,525,491		