

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

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Years Ended
June 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

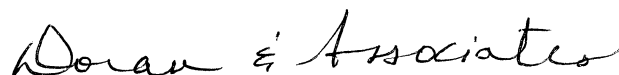
To the Board of Directors
Yerba Buena Center for the Arts
San Francisco, California

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, 2011 and 2010, 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, 2011 and 2010, 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 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



November 17, 2011

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 5,468,199	\$ 5,165,278
Contributions, grants and contracts receivable, current portion, net of allowance for doubtful accounts of \$22,822 at 2011 and \$18,737 at 2010 (Note 1)	585,753	480,903
Other receivables	62,152	31,321
Prepaid expenses	200,470	185,203
Deposits	41,903	4,124
Total current assets	<u>6,358,477</u>	<u>5,866,829</u>
Contributions, grants and contracts receivable, net of current portion and allowances for doubtful accounts and present value discount of \$300,935 at 2011 and \$386,624 at 2010 (Note 1)	<u>1,435,428</u>	<u>1,522,468</u>
Long-term investments:		
Cash and cash equivalents (Note 1)	503,306	471,096
Marketable equity securities (Notes 1 and 3)	3,709,171	3,119,952
Total long-term investments	<u>4,212,477</u>	<u>3,591,048</u>
Fixtures and equipment, net of accumulated depreciation of \$1,296,896 at 2011 and \$1,223,043 at 2010 (Notes 1 and 4)	<u>642,776</u>	<u>510,729</u>
Total assets	<u>\$ 12,649,158</u>	<u>\$ 11,491,074</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,322,702	\$ 2,811,673
Deposits and refundable advances (Note 1)	751,965	592,936
Other deferred income	40,000	37,500
Total liabilities	<u>3,114,667</u>	<u>3,442,109</u>
Net assets:		
Unrestricted net assets	3,631,570	2,163,938
Temporarily restricted net assets (Note 6)	4,041,706	4,023,812
Permanently restricted net assets (Note 7)	1,861,215	1,861,215
Total net assets	<u>9,534,491</u>	<u>8,048,965</u>
Total liabilities and net assets	<u>\$ 12,649,158</u>	<u>\$ 11,491,074</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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT AND TRANSFERS				
Support from San Francisco				
Redevelopment Agency (Note 2)	\$ 3,166,350	\$ 166,650	\$ -	\$ 3,333,000
Contributions	570,145	1,103,890	-	1,674,035
Box office ticket sales				
and gallery admissions	278,689	-	-	278,689
Subsidized community programs	1,007,541	-	-	1,007,541
Commercial rentals	3,228,814	-	-	3,228,814
License agreement income (Note 8)	29,677	-	-	29,677
Raffle ticket sales	4,650,650	-	-	4,650,650
Naming revenue	-	91,349	-	91,349
Investment income (endowment) (Note 3)	108,390	319,434	-	427,824
Investment income (Note 3)	274,220	1,721	-	275,941
Box office service charges	142,342	-	-	142,342
Marketing and advertising sales	27,607	-	-	27,607
Traveling exhibition fees	94,000	-	-	94,000
Other income	113,746	-	-	113,746
Net assets released from restriction (Note 6)	<u>1,665,150</u>	<u>(1,665,150)</u>	<u>-</u>	<u>-</u>
Total revenue, support and transfers	<u>15,357,321</u>	<u>17,894</u>	<u>-</u>	<u>15,375,215</u>
EXPENSES				
Program services:				
Performing arts	1,532,836	-	-	1,532,836
Visual arts	1,941,040	-	-	1,941,040
Film/video	477,442	-	-	477,442
Community engagement	783,121	-	-	783,121
Subsidized community programs	1,247,494	-	-	1,247,494
Commercial rentals	2,497,914	-	-	2,497,914
Total program services	<u>8,479,847</u>	<u>-</u>	<u>-</u>	<u>8,479,847</u>
Support services:				
General administration & operations	1,064,606	-	-	1,064,606
Fundraising:				
General fundraising	738,896	-	-	738,896
Dream House raffle	3,606,340	-	-	3,606,340
Total supporting services	<u>5,409,842</u>	<u>-</u>	<u>-</u>	<u>5,409,842</u>
Total expenses	<u>13,889,689</u>	<u>-</u>	<u>-</u>	<u>13,889,689</u>
Change in net assets	1,467,632	17,894	-	1,485,526
Net assets, beginning of year	<u>2,163,938</u>	<u>4,023,812</u>	<u>1,861,215</u>	<u>8,048,965</u>
Net assets, end of year	<u>\$ 3,631,570</u>	<u>\$ 4,041,706</u>	<u>\$ 1,861,215</u>	<u>\$ 9,534,491</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, 2010

	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	885,686	214,936	-	1,100,622
Box office ticket sales				
and gallery admissions	298,064	-	-	298,064
Subsidized community programs	916,960	-	-	916,960
Commercial rentals	2,492,589	-	-	2,492,589
Raffle ticket sales	7,846,169	-	-	7,846,169
Naming revenue	-	101,831	-	101,831
Investment income (endowment) (Note 3)	187,888	-	-	187,888
Investment income (Note 3)	157,735	1,522	-	159,257
Box office service charges	108,455	-	-	108,455
Marketing and advertising sales	74,727	-	-	74,727
Traveling exhibition fees	40,000	-	-	40,000
Other income	39,159	-	-	39,159
Net assets released				
from restriction (Note 6)	<u>1,198,282</u>	<u>(1,198,282)</u>	<u>-</u>	<u>-</u>
Total revenue, support and transfers	<u>17,637,641</u>	<u>(716,920)</u>	<u>-</u>	<u>16,920,721</u>
EXPENSES				
Program services:				
Performing arts	1,582,404	-	-	1,582,404
Visual arts	2,212,278	-	-	2,212,278
Film/video	515,070	-	-	515,070
Community engagement	793,127	-	-	793,127
Subsidized community programs	1,409,855	-	-	1,409,855
Commercial rentals	1,797,159	-	-	1,797,159
Total program services	<u>8,309,893</u>	<u>-</u>	<u>-</u>	<u>8,309,893</u>
Support services:				
General administration & operations	1,003,681	-	-	1,003,681
Fundraising:				
General fundraising	775,265	-	-	775,265
Dream House raffle	6,369,334	-	-	6,369,334
Total supporting services	<u>8,148,280</u>	<u>-</u>	<u>-</u>	<u>8,148,280</u>
Total expenses	<u>16,458,173</u>	<u>-</u>	<u>-</u>	<u>16,458,173</u>
Change in net assets	1,179,468	(716,920)	-	462,548
Net assets, beginning of year	<u>984,470</u>	<u>4,740,732</u>	<u>1,861,215</u>	<u>7,586,417</u>
Net assets, end of year	<u>\$ 2,163,938</u>	<u>\$ 4,023,812</u>	<u>\$ 1,861,215</u>	<u>\$ 8,048,965</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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 1,485,526</u>	<u>\$ 462,548</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	160,322	137,551
Loss on disposal of furniture and equipment	13,309	5,580
Net realized/unrealized gain on investments	(604,631)	(256,037)
Change in allowance for doubtful accounts	4,085	(23,739)
Change in discount on long-term contracts and promises to give	(85,689)	(104,681)
Changes in assets and liabilities:		
Contributions, grants and contracts receivable	63,794	955,784
Other receivables	(30,831)	(871)
Accrued interest receivable	(3,114)	(2,554)
Prepaid expenses, deposits and inventory	(53,046)	(72,509)
Accounts payable, accrued expenses and other deferred income	(486,471)	215,232
Refundable advances	<u>159,029</u>	<u>442,421</u>
Total adjustments	<u>(863,243)</u>	<u>1,296,177</u>
Net cash provided by operating activities	<u>622,283</u>	<u>1,758,725</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(911,971)	(1,853,816)
Proceeds from sales and maturities of investments	930,497	2,082,869
Increase (decrease) in long-term cash and cash equivalents	(32,210)	(229,352)
Purchase of fixtures and equipment	<u>(305,678)</u>	<u>(336,515)</u>
Net cash used by investing activities	<u>(319,362)</u>	<u>(336,814)</u>
Net increase in cash and cash equivalents	302,921	1,421,911
Cash and cash equivalents, beginning of year	<u>5,165,278</u>	<u>3,743,367</u>
Cash and cash equivalents, end of year	<u>\$ 5,468,199</u>	<u>\$ 5,165,278</u>

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

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

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

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.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

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 statements 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
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

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 \$22,822 as of June 30, 2011 and \$18,737 as of June 30, 2010.

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, 2012). 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 \$300,935 as of June 30, 2011 and \$386,624 as of June 30, 2010. Receivables, net of allowances and discounts, are expected to be collected in future periods as follows:

<u>Year ending June 30,</u>		
2012	\$	585,753
2013		351,629
2014		242,726
2015		228,987
2016		216,026
Thereafter		<u>396,060</u>
	<u>\$</u>	<u>2,021,181</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.

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, 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.

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 (see "Change in Accounting Policy", below).

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 on the Statements of Financial Position and deferred until the completion of the event.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

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

Change in Accounting Policy - Prior to July 1, 2010, temporarily restricted contributions were reported as unrestricted support when the restriction was met in the same period as the contributions was received. The Center revised the policy as of July 1, 2010, and periods thereafter to report temporarily restricted contributions received as temporarily restricted support on the Statements of Activity, even when the restriction is met in the same period. As a result, Net Assets Released from Restriction reflects all releases, including amounts received and used during the fiscal year. This change in accounting policy had no impact on the presentation of the Statement of Activity for the year ended June 30, 2010.

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 \$151,978 and \$185,482 for the years ended June 30, 2011 and 2010, 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 costs incurred of \$181,232 in fiscal year 2011, \$21,823 has been allocated to fundraising, \$158,958 has been allocated to marketing, and \$451 to administration. Of the total costs incurred of \$211,263 in fiscal year 2010, \$20,105 has been allocated to fundraising, \$185,290 has been allocated to marketing, and \$5,868 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, 2011 and 2010

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

ASC 740-10, Accounting for Uncertainty in Income Taxes - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Center to report information regarding its exposure to various tax positions taken by the Center. The Center has determined whether any tax positions have met the recognition threshold and have measured the Center's exposure to those tax positions. Management believes that the Center has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Center would be recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Subsequent Events - Subsequent events have been evaluated through November 17, 2011, which is the date the financial statements were available to be issued.

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. For the year ended June 30, 2011, the funding level was reduced \$222,000 to \$3,333,000. The SFRA has informed YBCA that funding will be \$3,333,000 for the fiscal year ending June 30, 2012.

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.

With the passage of the California State Budget for the fiscal year 2011-2012 the state legislature voted to dissolve redevelopment agencies within the state (AB26) but also created an alternative option for agencies to continue redevelopment efforts by passing through a portion of its tax increment funding directly to the state (AB27). As of the date that these statements were published by YBCA, both bills were in legal review at the California Supreme Court. In addition, the SFRA has approved its budget to operate under AB27 pending the California Supreme Court legal review.

In the interim period, the SFRA has made the determination that the Operating Agreement is an "Enforceable Obligation" per the legislation but also retained the right to determine that the enforceable obligation does not meet the definition under sections 34167(g) and 34190(e) and thus does not constitute a final determination that the Agency will make a payment in the designated month. As of the date these statements were published, the SFRA had made the first two quarterly payments for the fiscal year in a timely manner consistent with the Operating Agreement.

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

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

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 years ended June 30, 2011 and 2010, 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, 2011, 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	\$ 772,628	\$ -	\$ -	\$ 772,628
Government bonds	291,087	-	-	291,087
Accrued interest on bonds	16,009	-	-	16,009
Domestic common stocks	1,341,891	-	-	1,341,891
International common stock	238,392	-	-	238,392
Domestic mutual funds	365,146	-	-	365,146
International mutual funds	684,018	-	-	684,018
	<u>\$ 3,709,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,709,171</u>

<u>Description</u>	<u>Fair Value Measurements at June 30, 2010, 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	\$ 494,538	\$ -	\$ -	\$ 494,538
Government bonds	321,078	-	-	321,078
Accrued interest on bonds	12,895	-	-	12,895
Domestic common stock	1,244,222	-	-	1,244,222
International common stock	153,908	-	-	153,908
Domestic mutual funds	426,493	-	-	426,493
International mutual funds	466,818	-	-	466,818
	<u>\$ 3,119,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,119,952</u>

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

NOTE 3 MARKETABLE EQUITY SECURITIES (Continued)

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended June 30, 2011 and 2010:

	2011	2010
Interest and dividends	\$ 99,134	\$ 91,108
Gain on sale of investments	2,622	3,434
Unrealized gains/(loss)	602,009	252,603
Total investment income/(loss)	\$ 703,765	\$ 347,145
Investment income/(loss) - endowment	\$ 427,824	\$ 187,888
Investment income/(loss) - other	275,941	159,257
Total investment income/(loss)	\$ 703,765	\$ 347,145

Investment fees for the years ended June 30, 2011 and 2010, amounted to \$37,248 and \$33,603, respectively.

NOTE 4 FIXTURES AND EQUIPMENT

Fixtures and equipment consisted of the following as of June 30, 2011 and 2010:

	2011	2010
Computer equipment and software	\$ 620,166	\$ 407,393
Furniture	88,352	79,628
Office equipment	119,356	119,356
Leasehold improvements	554,884	528,975
Other equipment and machinery	556,914	598,420
Total	1,939,672	1,733,772
Less: accumulated depreciation	(1,296,896)	(1,223,043)
Fixtures and equipment, net	\$ 642,776	\$ 510,729

Depreciation expense for the years ended June 30, 2011 and 2010, was \$160,322 and \$137,551, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

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, 2011 and 2010. Due to the reduction in funding for the year ended June 30, 2011, \$222,000 was released from the operating reserve in that year.

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 2011 and 2010 were \$333,645 and \$444,712, respectively.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2011 and 2010, as follows:

	<u>2011</u>	<u>2010</u>
SFRA interior reserve	\$ 425,383	\$ 592,258
SFRA operating reserve	998,578	1,218,977
Gardens program	-	5,295
General administrative and support	1,961,158	1,795,194
Future program activities	417,153	412,088
Accumulated endowment income	<u>239,434</u>	<u>-</u>
	<u>\$ 4,041,706</u>	<u>\$ 4,023,812</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions during the years ended June 30, 2011 and 2010, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2011	2010
Performing arts	\$ 317,900	\$ 261,400
Visual arts	113,300	10,000
Community engagement	310,140	209,443
Interior reserve	333,645	444,712
General administrative and support	278,165	272,727
Accumulated endowment income	80,000	-
Film / video program	10,000	-
Operating reserve	222,000	-
	\$ 1,665,150	\$ 1,198,282

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.

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

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of:

<u>June 30, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 239,434	\$ 1,861,215	\$ 2,100,649
Total funds	<u>\$ -</u>	<u>\$ 239,434</u>	<u>\$ 1,861,215</u>	<u>\$ 2,100,649</u>

<u>June 30, 2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (88,855)	\$ -	\$ 1,861,215	\$ 1,772,360
Total funds	<u>\$ (88,855)</u>	<u>\$ -</u>	<u>\$ 1,861,215</u>	<u>\$ 1,772,360</u>

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ (208,764)	\$ -	\$ 1,861,215	\$ 1,652,451
Investment return:				
Interest and dividends	-	42,155	-	42,155
Realized gain	-	6,050	-	6,050
Unrealized gain	137,888	1,795	-	139,683
Investment fees	(17,979)	-	-	(17,979)
Total investment return	<u>119,909</u>	<u>50,000</u>	<u>-</u>	<u>169,909</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Endowment net assets, June 30, 2010	<u>(88,855)</u>	<u>-</u>	<u>1,861,215</u>	<u>1,772,360</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2011 and 2010 (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment return:				
Interest and dividends	-	47,465	-	47,465
Realized gain	-	1,956	-	1,956
Unrealized gain	108,390	270,013	-	378,403
Investment fees	<u>(19,535)</u>	<u>-</u>	<u>-</u>	<u>(19,535)</u>
Total investment return	<u>88,855</u>	<u>319,434</u>	<u>-</u>	<u>408,289</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Endowment net assets, June 30, 2011	<u>\$ -</u>	<u>\$ 239,434</u>	<u>\$ 1,861,215</u>	<u>\$ 2,100,649</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) for the Fiscal Years Ended:

June 30, 2011

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 \$ 1,861,215

Temporarily Restricted Net Assets

Term endowment funds \$ -
The portion of perpetual endowment funds subject to a
time restriction under SPMIFA:
Without purpose restrictions 239,434
With purpose restrictions -

Total endowment funds classified as temporarily
restricted net assets \$ 239,434

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

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 Years Ended (Continued):

June 30, 2010

Permanently Restricted Net Assets

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

Term endowment funds	\$ -
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The portion of perpetual endowment funds subject to a time restriction under SPMIFA:

Without purpose restrictions	-
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With purpose restrictions	<u>-</u>
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Total endowment funds classified as temporarily restricted net assets	\$ <u><u>-</u></u>
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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 \$(88,855) as of June 30, 2010. 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. There were no deficiencies as of June 30, 2011.

Return Objectives and Risk Parameters

YBCA has adopted investment and spending policies for endowment assets that attempt to provide a relatively stable 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, 2011 and 2010

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 LICENSE AGREEMENT INCOME

On November 17, 2010, the Center signed a Rooftop License Agreement with a wireless telephone carrier (licensee) for the use of a portion of the roof area of the building occupied by YBCA for a cellphone tower. The term of the lease is ten years, with an automatic renewal for an additional ten years, and month-to-month thereafter. The license fee for the first year is \$60,000, payable in monthly installments of \$5,000, to increase by 3% annually for the duration of the term and any extensions. The licensee is also liable for utility charges related to the use of the rooftop area and other costs, and is subject to the Operating Agreement with SFRA. The Center received \$29,677 under this Agreement during the year ended June 30, 2011.

The estimated future license fees to be received under this agreement are as follows:

Year-ending June 30,	
2012	\$ 60,900
2013	62,727
2014	64,609
2015	66,547
2016	68,543
Thereafter	<u>334,506</u>
	<u>\$ 657,832</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

NOTE 9 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: employees are eligible to participate in the plan on the first day for salary deferrals. Employees are eligible for employer matching contributions after six months of employment, provided that they normally work at least 20 hours per week and are not represented by a collective bargaining agreement where retirement benefits were the subject of good faith bargaining. All participants are 100% vested in the employee and employer contributions. Total contributions made by YBCA for 2011 and 2010 were \$64,093 and \$63,926, respectively.

NOTE 10 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, 2011, YBCA had approximately \$4,453,000 in excess of the federal depository insurance limit of \$250,000. Cash equivalents include money market funds. At June 30, 2011, YBCA had approximately \$3,654,000 in investments above the \$500,000 per account Securities Investor Protection Corporation (SIPC) insurance limit.

Contributions, grants and contracts receivable - As of June 30, 2011, contributions, grants and contracts receivable included amounts due from three institutions that represent 92% of the gross contribution and grants receivable balance due. As of June 30, 2010, this number was 95%.

Revenues and support - For the years ended June 30, 2011 and 2010, approximately 22% and 21%, 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.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2011 and 2010

NOTE 11 RISKS, UNCERTAINTIES AND CONCENTRATIONS

The organization 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 organization. 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 organization'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, 2011

	Program Services							Supporting Services			Total
	Performing Arts	Visual Arts	Film/Video	Community Engagement	Subsidized Community Programs	Commercial Rentals	General Admin. and Operations	Fund-Raising	Dream House Raffle		
Salaries, payroll taxes and benefits	\$ 530,070	\$ 755,572	\$ 251,251	\$ 427,490	\$ 400,396	\$ 518,735	\$ 533,995	\$ 513,872	\$ 552,038	\$	4,483,419
Artist fees and expenses	358,309	70,901	142	1,402	-	-	-	-	-	-	430,754
Program and production expenses	372,524	740,261	115,586	182,265	677,985	1,745,232	39,035	61,271	1,560,326		5,494,485
Marketing & public relations	107,688	120,215	33,587	36,219	11,115	22,037	2,847	28,982	1,296,001		1,658,691
Membership and cultivation	-	-	-	-	-	-	-	13,210	88,799		102,009
Security and janitorial services	50,772	110,989	21,839	45,982	70,008	82,568	157,598	13,505	1		553,262
Equipment maintenance and supplies	20,896	39,694	11,816	13,792	24,195	26,372	47,529	23,889	92,439		300,622
Utilities	29,491	35,569	14,745	28,691	28,406	40,245	111,948	13,993	1,713		304,801
Insurance	9,628	10,889	4,814	8,023	7,450	12,379	45,274	12,723	4,428		115,608
Office supplies	7,606	10,319	3,704	6,247	5,210	11,468	27,681	14,353	2,936		89,524
In-kind gifts expense	23,000	19,240	9,387	15,788	3,751	5,983	13,154	19,873	1,803		111,979
Miscellaneous expense	2,222	2,138	902	1,296	955	1,525	5,251	1,681	396		16,366
Depreciation	13,467	15,231	6,734	11,223	10,421	17,315	63,325	17,796	4,810		160,322
Interior Reserve	7,163	10,022	2,935	4,703	7,602	14,055	16,969	3,748	650		67,847
Total	\$ 1,532,836	\$ 1,941,040	\$ 477,442	\$ 783,121	\$ 1,247,494	\$ 2,497,914	\$ 1,064,606	\$ 738,896	\$ 3,606,340	\$	13,889,689

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SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended June 30, 2010

	Program Services						Supporting Services			Total
	Performing Arts	Visual Arts	Film/Video	Community Engagement	Subsidized Community Programs	Commercial Rentals	General Admin. and Operations	Fund-Raising	Dream House Raffle	
Salaries, payroll taxes and benefits	\$ 399,950	\$ 796,368	\$ 251,069	\$ 432,839	\$ 497,214	\$ 361,006	\$ 475,605	\$ 411,612	\$ 759,246	\$ 4,384,909
Artist fees and expenses	447,526	100,767	-	-	-	-	-	-	-	548,293
Program and production expenses	378,124	833,213	125,247	207,299	630,806	1,213,383	38,392	61,350	3,981,351	7,469,165
Marketing & public relations	154,772	173,813	42,606	43,387	58,287	12,797	4,391	32,175	1,418,163	1,940,391
Membership and cultivation	-	-	-	-	-	-	-	172,639	-	172,639
Security and janitorial services	54,079	114,098	27,361	26,344	88,481	88,784	157,170	13,948	211	570,476
Equipment maintenance and supplies	16,662	25,368	10,687	9,388	28,030	27,573	45,404	18,412	185,332	366,856
Utilities	31,465	38,825	18,558	18,117	41,201	47,627	112,562	12,817	1,611	322,783
Insurance	12,427	20,691	6,904	12,427	9,665	9,665	52,470	12,427	6,369	143,045
Office supplies	8,956	16,393	5,144	7,895	6,818	6,573	25,711	9,171	2,776	89,437
In-Kind gifts expense	53,169	54,625	15,281	15,783	21,135	2,855	10,020	11,296	1,319	185,483
Miscellaneous expense	674	1,442	434	949	581	576	2,775	1,233	7,569	16,233
Depreciation	12,380	17,882	6,878	12,380	9,629	9,629	52,266	12,380	4,127	137,551
Interior Reserve	12,220	18,793	4,901	6,319	18,008	16,691	26,915	5,805	1,260	110,912
Total	\$ 1,582,404	\$ 2,212,278	\$ 515,070	\$ 793,127	\$ 1,409,855	\$ 1,797,159	\$ 1,003,681	\$ 775,265	\$ 6,369,334	\$ 16,458,173