

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

FINANCIAL STATEMENTS

For the Years Ended
June 30, 2019 and 2018

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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 financial statements of the Yerba Buena Center for the Arts (a California nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Yerba Buena Center for the Arts as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Center adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Doran & Associates

March 10, 2020

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 5,129,016	\$ 7,840,682
Contributions, grants and contracts receivable, current portion, net of allowance for doubtful accounts of \$19,248 at 2019 and \$28,683 at 2018 (Note 1)	2,109,030	736,187
Other receivables (Note 1)	203,555	16,613
Prepaid expenses	377,328	277,719
Deposits and other current assets	11,134	19,503
Total current assets	<u>7,830,063</u>	<u>8,890,704</u>
Contributions, grants and contracts receivable, net of current portion and present value discount of \$62,769 at 2019 and \$21,042 at 2018 (Note 1)	<u>172,231</u>	<u>350,708</u>
Long-term investments:		
Cash and cash equivalents (Note 1)	211,898	538,218
Marketable equity securities (Notes 1 and 4)	<u>8,239,870</u>	<u>7,931,955</u>
Total long-term investments	<u>8,451,768</u>	<u>8,470,173</u>
Fixtures and equipment, net of accumulated depreciation of \$2,217,117 at 2019 and \$1,999,945 at 2018 (Notes 1 and 5)	<u>762,843</u>	<u>734,603</u>
Total assets	<u>\$ 17,216,905</u>	<u>\$ 18,446,188</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 553,651	\$ 261,341
Other accrued expenses	417,159	375,833
Accrued raffle expenses	1,275,609	1,793,919
Accrued unrelated business income tax	1,802,288	1,802,288
Accrued paid time off	547,166	548,963
Other liabilities	87,906	57,163
Deposits and refundable advances (Note 1)	890,159	531,515
Total liabilities	<u>5,573,938</u>	<u>5,371,022</u>
Net assets:		
Net assets without donor restrictions	5,015,518	7,133,312
Net assets with donor restrictions (Note 7)	<u>6,627,449</u>	<u>5,941,854</u>
Total net assets	<u>11,642,967</u>	<u>13,075,166</u>
Total liabilities and net assets	<u>\$ 17,216,905</u>	<u>\$ 18,446,188</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND TRANSFERS			
Support from City and County of San Francisco (Note 3)	\$ 1,498,500	\$ 1,831,500	\$ 3,330,000
Contributions	341,156	1,556,621	1,897,777
Box office ticket sales and gallery admissions	222,220	-	222,220
Subsidized community programs	1,071,218	-	1,071,218
Facility rentals	4,365,222	-	4,365,222
Concession sales	98,204	-	98,204
License agreement income (Note 9)	88,608	-	88,608
Raffle ticket sales	6,765,535	-	6,765,535
Net investment income (Note 4)	(10,169)	89,152	78,983
Box office service charges	94,340	-	94,340
Marketing and advertising sales	6,369	-	6,369
In-kind contributions (Note 1)	714,559	-	714,559
Other income	33,511	-	33,511
Naming revenue	625,000	-	625,000
Net assets released from restriction, pursuant to endowment spending rate distribution formula	95,000	(95,000)	-
Net assets released from restriction, fulfillment of purpose and/or time restrictions	<u>2,696,678</u>	<u>(2,696,678)</u>	<u>-</u>
Total revenue, support and transfers	<u>18,705,951</u>	<u>685,595</u>	<u>19,391,546</u>
EXPENSES AND LOSSES			
Program services:			
Performing arts	1,798,375	-	1,798,375
Visual arts	2,887,161	-	2,887,161
Public programs	998,229	-	998,229
Civic engagement	1,598,389	-	1,598,389
Subsidized community programs	1,681,941	-	1,681,941
Facility rentals	3,688,294	-	3,688,294
Total program services	<u>12,652,389</u>	<u>-</u>	<u>12,652,389</u>
Support services:			
General administration & operations	1,336,175	-	1,336,175
Fundraising:			
General fundraising	1,467,581	-	1,467,581
Dream House raffles	5,362,339	-	5,362,339
Total supporting services	<u>8,166,095</u>	<u>-</u>	<u>8,166,095</u>
Total expenses	20,818,484		20,818,484
Loss on disposal of fixtures and equipment	<u>5,261</u>	<u>-</u>	<u>5,261</u>
Total expenses and losses	<u>20,823,745</u>	<u>-</u>	<u>20,823,745</u>
Change in net assets	(2,117,794)	685,595	(1,432,199)
Net assets, beginning of year	<u>7,133,312</u>	<u>5,941,854</u>	<u>13,075,166</u>
Net assets, end of year	<u>\$ 5,015,518</u>	<u>\$ 6,627,449</u>	<u>\$ 11,642,967</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND TRANSFERS			
Support from City and County of San Francisco (Note 3)	\$ 3,163,500	\$ 166,500	\$ 3,330,000
Contributions	371,719	1,032,331	1,404,050
Box office ticket sales and gallery admissions	203,977	-	203,977
Subsidized community programs	934,940	-	934,940
Facility rentals	2,407,049	-	2,407,049
Concession sales	84,683	-	84,683
License agreement income (Note 9)	85,815	-	85,815
Raffle ticket sales	10,449,545	-	10,449,545
Net investment income (Note 4)	428,015	260,379	688,394
Box office service charges	84,741	-	84,741
Marketing and advertising sales	3,677	-	3,677
In-kind contributions (Note 1)	9,807	-	9,807
Other income	21,856	-	21,856
Net assets released from restriction, pursuant to endowment spending rate distribution formula	95,000	(95,000)	-
Net assets released from restriction, fulfillment of purpose and/or time restrictions	<u>1,881,516</u>	<u>(1,881,516)</u>	<u>-</u>
 Total revenue, support and transfers	 <u>20,225,840</u>	 <u>(517,306)</u>	 <u>19,708,534</u>
EXPENSES AND LOSSES			
Program services:			
Performing arts	1,867,960	-	1,867,960
Visual arts	2,817,854	-	2,817,854
Film/video	679,027	-	679,027
Civic engagement	1,993,150	-	1,993,150
Subsidized community programs	1,667,248	-	1,667,248
Facility rentals	2,824,007	-	2,824,007
Total program services	<u>11,849,246</u>	<u>-</u>	<u>11,849,246</u>
Support services:			
General administration & operations	1,457,051	-	1,457,051
Fundraising:			
General fundraising	1,054,954	-	1,054,954
Dream House raffles	6,918,025	-	6,918,025
Total supporting services	<u>9,430,030</u>	<u>-</u>	<u>9,430,030</u>
 Total expenses and losses	 <u>21,279,276</u>	 <u>-</u>	 <u>21,279,276</u>
Change in net assets	(1,053,436)	(517,306)	(1,570,742)
Net assets, beginning of year	<u>8,186,748</u>	<u>6,459,160</u>	<u>14,645,908</u>
Net assets, end of year	<u>\$ 7,133,312</u>	<u>\$ 5,941,854</u>	<u>\$ 13,075,166</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 FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program Services						Supporting Services			Total
	Performing Arts	Visual Arts	Public Programs	Civic Engagement	Subsidized Community Programs	Facility Rentals	Fundraising			
							General Admin. and Operations	Fund- Raising	Dream House Raffles	
Salaries, payroll taxes and benefits	\$ 875,794	\$1,668,564	\$ 524,349	\$ 835,115	\$1,307,185	\$ 3,157,351	\$ 746,847	\$ 781,835	\$ 329,575	\$ 10,226,615
Artist fees and expenses	204,293	59,125	173,408	113,405	310	111	539	41,316	-	592,507
Program and production expenses	269,734	654,338	122,018	410,336	86,492	137,052	119,050	291,529	2,713,106	4,803,655
Marketing & public relations	70,154	70,373	15,182	16,535	5,777	12,550	9,880	8,021	409,262	617,734
Security and janitorial services	38,613	88,220	36,354	44,331	116,301	158,632	48,506	9,906	-	540,863
Equipment maintenance and supplies	51,644	35,751	30,497	18,776	49,160	48,246	31,940	8,048	3,051	277,113
Utilities	29,056	66,522	14,528	37,772	58,111	49,385	43,583	76	5,811	304,844
Insurance	8,554	8,554	4,277	5,988	6,843	8,554	29,939	9,409	3,422	85,540
Office expenses	81,665	157,179	37,226	52,493	17,687	47,879	157,934	72,931	1,148,266	1,773,260
Depreciation	23,178	23,178	11,589	16,225	18,542	23,178	81,124	25,496	9,271	231,781
Interior reserve expenses	105,565	13,196	-	-	-	13,196	16,493	181,440	-	329,890
Travel and hospitality	26,629	25,800	23,634	26,776	8,085	23,461	19,252	23,794	4,204	181,635
Professional services	5,089	5,089	2,544	16,601	4,071	5,087	17,810	5,597	59,723	121,611
Other facilities expenses	4,795	7,660	817	1,508	487	-	635	881	94	16,877
In-kind gifts expense	3,612	3,612	1,806	2,528	2,890	3,612	12,643	7,302	676,554	714,559
Total expenses included on the expenses section on the Statement of Activities	<u>\$ 1,798,375</u>	<u>\$2,887,161</u>	<u>\$ 998,229</u>	<u>\$ 1,598,389</u>	<u>\$1,681,941</u>	<u>\$ 3,688,294</u>	<u>\$ 1,336,175</u>	<u>\$ 1,467,581</u>	<u>\$ 5,362,339</u>	<u>\$ 20,818,484</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 FUNCTIONAL EXPENSES (Continued)
For the year ended June 30, 2018

	Program Services						Supporting Services			Total
	Performing Arts	Visual Arts	Film/ Video	Civic Engagement	Subsidized Community Programs	Facility Rentals	General Admin. and Operations	Fund-Raising	Dream House Raffles	
Salaries, payroll taxes and benefits	\$ 1,031,598	\$1,833,689	\$ 454,514	\$ 898,775	\$1,272,897	\$ 2,335,643	\$ 711,830	\$ 670,790	\$ 326,569	\$ 9,536,305
Artist fees and expenses	289,972	139,161	13,033	247,005	-	105,666	-	4,438	-	799,275
Program and production expenses	172,218	373,416	73,134	557,015	59,518	20,702	198,903	211,070	3,776,019	5,441,995
Marketing & public relations	40,975	42,541	8,904	32,342	3,621	11,611	18,707	15,614	489,183	663,498
Security and janitorial services	41,779	91,617	17,339	48,392	109,231	116,844	48,281	7,173	-	480,656
Equipment maintenance and supplies	48,742	43,967	10,867	52,767	60,896	63,418	44,678	6,362	3,937	335,634
Utilities	28,697	64,470	14,275	37,125	57,403	42,166	42,943	-	5,710	292,789
Insurance	6,321	6,321	3,160	4,424	5,056	6,321	22,121	6,953	2,528	63,205
Office expenses	87,833	139,665	37,520	50,458	16,084	69,432	148,279	89,036	2,248,393	2,886,700
Depreciation	23,802	23,802	11,901	16,662	19,042	23,802	83,309	26,183	9,521	238,024
Interior reserve expenses	52,525	17,074	19,542	-	52,509	-	102,615	-	-	244,265
Travel and hospitality	37,957	35,649	12,197	39,124	6,336	20,972	18,437	9,811	1,536	182,019
Professional services	3,873	3,873	1,936	7,839	3,098	3,873	13,552	4,260	53,011	95,315
Other facilities expenses	1,168	1,625	455	872	1,157	956	1,646	292	1,618	9,789
In-kind gifts expense	500	984	250	350	400	2,601	1,750	2,972	-	9,807
Total expenses included on the expenses section on the Statement of Activities	\$ 1,867,960	\$2,817,854	\$ 679,027	\$ 1,993,150	\$1,667,248	\$ 2,824,007	\$ 1,457,051	\$ 1,054,954	\$ 6,918,025	\$ 21,279,276

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ (1,432,199)</u>	<u>\$ (1,570,742)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	231,781	238,024
Realized loss on investments	66,487	7,167
Unrealized gain on investments	(47,071)	(573,108)
Change in allowance for doubtful accounts	(9,435)	575
Change in discount on long-term contracts and promises to give	41,727	(41,065)
Write-off of receivables	7,500	500
Loss on disposal of fixtures and equipment	5,261	-
Changes in assets and liabilities:		
Contributions, grants and contracts receivable	(1,234,158)	747,381
Other receivables	(186,942)	76,085
Accrued interest receivable	12,364	(129)
Prepaid expenses, deposits and inventory	(91,240)	(32,868)
Accounts payable and accrued expenses	(155,728)	(225,234)
Refundable advances and other deferred income	358,644	148,950
Total adjustments	<u>(1,000,810)</u>	<u>346,278</u>
Net cash used by operating activities	<u>(2,433,009)</u>	<u>(1,224,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(6,377,545)	(1,599,438)
Proceeds from sales and maturities of investments	6,037,850	1,633,629
Increase (decrease) in long-term cash and cash equivalents	326,320	(59,376)
Purchase of fixtures and equipment	<u>(265,282)</u>	<u>(134,069)</u>
Net cash used by investing activities	<u>(278,657)</u>	<u>(159,254)</u>
Net decrease in cash and cash equivalents	(2,711,666)	(1,383,718)
Cash and cash equivalents, beginning of year	<u>7,840,682</u>	<u>9,224,400</u>
Cash and cash equivalents, end of year	<u>\$ 5,129,016</u>	<u>\$ 7,840,682</u>
Supplementary information:		
Cash paid for taxes (use tax)	<u>\$ 4,347</u>	<u>\$ 8,401</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, 2019 and 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Yerba Buena Center for the Arts (YBCA) is a 501(c)(3) nonprofit organization in San Francisco with a mission to generate culture that moves people. We believe that culture precedes change, and that it is the responsibility of arts organizations to spur and support societal movement. We serve as San Francisco's creative home for civic action; instigating ideas that can transform our city and our lives. Through performances, exhibitions, screenings, events, public projects, think tanks, partnerships and convenings at our center and in our community, we empower citizens to help create the change they want to see in the world. Nationally recognized for our innovative approach to audience- and community-centered programs, our vision is to create a community that thrives on inspiration.

YBCA's programs include:

Civic Engagement. YBCA has a firm and lasting commitment to serve as a citizen institution. We know that a creatively engaged citizenry is essential to a great city. Civic Engagement ensures that YBCA's programs extend open invitations to the entire community. Beyond the walls of the art center, YBCA partners with city government, schools, private enterprise, and community organizations. We invite all to use their creativity to make a difference in the future of our city. Offerings include art-as-activism residencies for high school students, K-8 in-school programming within the San Francisco Unified School District, creative placemaking initiatives in public space (in partnership with San Francisco Planning department) and so much more.

Visual Arts. Through a schedule of approximately 5-8 temporary exhibitions each year, YBCA showcases established and emerging artists from the Bay Area and beyond, community based work, and the intersection between fine art and social impact. In addition to presenting compelling nationally and internationally touring exhibitions, YBCA develops original exhibits for our galleries. These YBCA-curated exhibitions feature a mix of solo artist and group shows, and existing and newly commissioned artworks.

Performing Arts. YBCA's Performing Arts program offers an extraordinary lineup of artists you won't see anywhere else, including those who are taking risks, experimenting with the boundaries of their form, and who are committed to collaboration. Each year YBCA features new work by Bay Area artists along with a lineup of the most compelling, contemporary national and international dance, music, and theater companies.

Subsidized Community Programs. Each year YBCA partners with dozens of local nonprofits and performing arts companies, opening our stages for their home seasons, festivals, and events.

Facility Rentals. YBCA's landmark state-of-the-art facilities are a valuable resource for the communities of the Bay Area. Through our Facility Rentals program, the arts and creativity that characterize YBCA become a compelling backdrop for corporate events held in our Lobby, Theater, Forum, and other available venues.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

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

Organization (Continued) -

YBCA—the anchor cultural complex for a 1980–2011 San Francisco Redevelopment Agency (SFRA) project for the Yerba Buena neighborhood that turned a once dilapidated area of the city into an urban oasis which today features housing, open space, retail, cultural institutions, and the Moscone Convention Center—was developed as the result of years of community input and planning with scores of Northern California artists, as well as cultural, educational, and civic leaders. YBCA’s two landmark buildings include Galleries, a flexible “Forum” space, and a film/video Screening Room designed by Fumihiko Maki in association with RMW Architecture + Design, and a proscenium Theater designed by James Stewart Polshek. YBCA opened to international acclaim in October 1993, offering cutting-edge programming in the visual arts, performing arts, film/video, and community engagement for more than two decades.

In addition to its funding from the SFRA agreement (see Note 3 regarding the successor agency), 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.

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

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Receivables - Receivables include contributions, grants and contracts receivable, and other receivables. Contributions and grants receivable are recognized when an unconditional promise to give is received. All other receivables are recognized when services are performed or contracts are fulfilled.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

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 \$19,248 as of June 30, 2019, and \$28,683 as of June 30, 2018.

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. 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 \$62,769 as of June 30, 2019, and \$21,042 as of June 30, 2018.

Marketable equity securities - 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 support with donor restrictions if such gifts are received with donor stipulations that limit the use of the donated assets.

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

Deferred revenue - YBCA recognizes fees for service received in advance of the earning of those fees as deferred revenue. Deferred revenue held at year-end is expected to be earned in the subsequent year.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

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

In-Kind Contributions - During the years ended June 30, 2019 and 2018, the Center recorded various types of in-kind contributions of donated goods and services including equipment and other items typically used for special events sponsored by YBCA. These items have a fair market value using the market method of \$714,559 and \$9,807 for the years ended June 30, 2019 and 2018, respectively, as follows:

<u>Description</u>	Fair Value Measurements Using			<u>Total</u>
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2019:				
Raffle administration	\$ -	\$ 676,554	\$ -	\$ 676,554
Various	-	38,005	-	38,005
	\$ -	\$ 714,559	\$ -	\$ 714,559
June 30, 2018:				
Various	\$ -	\$ 9,807	\$ -	\$ 9,807

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.

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.

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 has 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 (four years for California). 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Update, ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*- In August 2016, the FASB issued new financial statement presentation guidance, which applies to most nonprofit financial statements. The new guidance impacted net asset classes, the presentation of investment return, and other changes, and was effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The new standard did not have a material impact on the Center's financial position, results of operations, or cash flows.

Accounting Standards Update, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*- In May 2014, the FASB issued new revenue recognition guidance, which applies to most contracts with customers. The core revenue recognition principle is that revenue should be recognized as the organization transfers goods or services to customers/clients in an amount reflecting the consideration it expects to receive. This new guidance was effective for the Center for annual reporting periods beginning after December 15, 2017. In the opinion of management, the implementation of this standard did not materially impact these financial statements.

Accounting Standards Update, ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* - In response to divergence in the way restricted cash is classified and presented in financial statements, FASB issued an amendment requiring that a statement of cash flows explain the change during a reporting period of the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. The amendment is effective for fiscal years beginning after December 31, 2018. The new standard could have an impact on the Center's statement of cash flows.

Accounting Standards Update, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* - In June 2018, the FASB issued clarified guidance regarding the way nonprofit organizations record contracts and grants being received and issued. For each arrangement, the organization will have to determine key elements of the agreement including (a) whether or not there is an exchange transaction (i.e., direct commensurate value to funder), (b) whether there are donor-imposed conditions for non-exchange transactions (e.g., measurable performance barriers, etc.) before commitment may be recognized as income, and (c) whether there are donor-imposed restrictions on non-exchange, unconditional funds (i.e., limited purpose or timing restrictions). The new standard is effective for resource recipients for fiscal years beginning after December 15, 2018, and for resource providers for fiscal years beginning after December 15, 2019, and could have a material impact on the Center's statement of financial position, results of operations, and cash flows.

Accounting Standards Update, ASU 2016-02, *Leases* - In February 2016, the FASB issued amendments to the way lessees record lease transactions. Upon implementation, lessees will be required to recognize at commencement the right-of-use asset and a lease liability representing the lessee's obligation to make lease payments arising from the lease, as discounted, for all leases except short-term leases. This Standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and early adoption is permitted. Management is currently evaluating the impact the amendments to this ASU will have on the financial statements of the Center.

Subsequent Events - Subsequent events have been evaluated through March 10, 2020, which is the date the financial statements were available to be issued.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Cash and cash equivalents	\$ 8,325,000
Contributions receivable	2,485,000
Operating investments	2,507,000
Less: temporary restricted	<u>(3,048,000)</u>
Total	<u>\$ 10,269,000</u>

YBCA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The total liquid reserves equates to 7 months which is above the general standard of 3 to 6 months.

NOTE 3 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. In 2012 the SFRA Agreement was assigned to the Successor Agency to the Former Redevelopment Office of Community Investment and Infrastructure (OCII) and then to the City and County of San Francisco in 2018. For the years ended June 30, 2019 and 2018, the funding level was reduced to \$3,330,000. The OCII has informed YBCA that funding will be \$3,330,000 for the fiscal year ending June 30, 2020. As of December 2018, the Agreement was extended for an additional term through 2034.

YBCA's facilities are owned by the City of San Francisco 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.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

NOTE 4 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, 2019 and 2018, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair Value Measurements 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>	
<u>June 30, 2019:</u>				
Corporate bonds	\$ 524,144	\$ -	\$ -	\$ 524,144
Government bonds	266,426	-	-	266,426
Accrued interest on bonds	6,748	-	-	6,748
Domestic common stocks	1,482,888	-	-	1,482,888
Real assets	70,850	-	-	70,850
Fixed income securities	4,019,693	-	-	4,019,693
Domestic mutual funds	993,070	-	-	993,070
International mutual funds	876,051	-	-	876,051
	<u>\$ 8,239,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,239,870</u>
<u>June 30, 2018:</u>				
Corporate bonds	\$ 1,181,354	\$ -	\$ -	\$ 1,181,354
Government bonds	750,505	-	-	750,505
Accrued interest on bonds	19,112	-	-	19,112
Domestic common stocks	3,145,446	-	-	3,145,446
Real assets	117,820	-	-	117,820
Domestic mutual funds	1,413,036	-	-	1,413,036
International mutual funds	1,304,682	-	-	1,304,682
	<u>\$ 7,931,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,931,955</u>

The following schedule summarizes the investment return, including operating account activity, for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 148,790	\$ 184,189
Loss on sale of investments	(66,487)	(7,167)
Unrealized gain on investments	47,071	573,108
Investment fees	<u>(50,391)</u>	<u>(61,736)</u>
Net investment income	<u>\$ 78,983</u>	<u>\$ 688,394</u>

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

NOTE 5 FIXTURES AND EQUIPMENT

Fixtures and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Computer equipment and software	\$ 357,120	\$ 357,120
Furniture	105,345	95,846
Office equipment	123,373	116,905
Leasehold improvements	1,228,833	1,046,571
Other equipment and machinery	1,165,289	1,118,106
Total	2,979,960	2,734,548
Less: accumulated depreciation	(2,217,117)	(1,999,945)
Fixtures and equipment, net	\$ 762,843	\$ 734,603

Depreciation expense for the years ended June 30, 2019 and 2018, was \$231,781 and \$238,024, respectively.

NOTE 6 OPERATING AGREEMENT RESERVES

Under its operating agreement with the City and County of San Francisco (formerly with the OCII and SFRA), YBCA receives funding on a yearly basis (see Note 3). The agreement requires YBCA to set aside 5% of its annual appropriation from the City 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 City's annual appropriation, no additional funds need be deposited into the reserve.

The agreement further requires that 4% of the annual appropriation from the City 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 the City will permit a reduction in the reserve to occur is if City 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 City'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, 2019 and 2018.

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 City. The total amounts expended from the interior reserve during 2019 and 2018 were \$166,500 per year.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditures for specified purposes:		
City and County of		
San Francisco operating reserve	\$ 833,429	\$ 833,429
Future program activities	2,845,655	2,451,214
Subject to the passage of time:		
Promises to give that are not restricted		
by donors, but which are unavailable for		
expenditure until due	311,070	14,068
	3,990,154	3,298,711
Endowments:		
Subject to appropriation and expenditures		
when a specified event occurs:		
With donor restrictions	-	-
Available for general use	722,830	728,678
	722,830	728,678
Subject to the organization's endowment		
spending policy and appropriation	1,914,465	1,914,465
Total endowments	2,637,295	2,643,143
	\$ 6,627,449	\$ 5,941,854

NOTE 8 ENDOWMENT

YBCA's endowment consists of an investment account 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 net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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, 2019 and 2018

NOTE 8 ENDOWMENT (CONTINUED)

Donor-restricted amounts not retained in perpetuity are subject to appropriation 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:

<u>Description</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>June 30, 2019</u>			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	\$ -	\$ 1,914,465	\$ 1,914,465
Accumulated investment gains	<u>-</u>	<u>722,830</u>	<u>722,830</u>
Total funds	<u>\$ -</u>	<u>\$ 2,637,295</u>	<u>\$ 2,637,295</u>
<u>June 30, 2018</u>			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	\$ -	\$ 1,914,465	\$ 1,914,465
Accumulated investment gains	<u>-</u>	<u>728,678</u>	<u>728,678</u>
Total funds	<u>\$ -</u>	<u>\$ 2,643,143</u>	<u>\$ 2,643,143</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

NOTE 8 ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2019 and 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ -	\$ 2,477,764	\$ 2,477,764
Investment return:			
Interest and dividends	-	55,023	55,023
Realized loss	-	(3,785)	(3,785)
Unrealized gain	-	228,286	228,286
Management fees	-	(19,145)	(19,145)
Total investment return	<u>-</u>	<u>260,379</u>	<u>260,379</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(95,000)</u>	<u>(95,000)</u>
Endowment net assets, June 30, 2018	<u>-</u>	<u>2,643,143</u>	<u>2,643,143</u>
Investment return:			
Interest and dividends	-	66,576	66,576
Realized loss	-	(17,294)	(17,294)
Unrealized gain	-	61,201	61,201
Management fees	-	(21,331)	(21,331)
Total investment return	<u>-</u>	<u>89,152</u>	<u>89,152</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(95,000)</u>	<u>(95,000)</u>
Endowment net assets, June 30, 2019	<u>\$ -</u>	<u>\$ 2,637,295</u>	<u>\$ 2,637,295</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. There were no deficiencies as of June 30, 2019 and 2018.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

YBCA has adopted investment and spending policies for endowment assets that attempt to provide a relatively stable stream of spendable revenue that increases over time at least as fast as the general rate of inflation, as measured by the Consumer Price Index. 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 investment objective is to maximize long-term real returns such that investments generate a return above inflation with some income/capital appreciation while maintaining the Center's preferred investment style, diversified to minimize the risk of large losses. Actual returns in any given year may vary.

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. This spending policy is in effect except where donor stipulation or dedicated donor contributed endowment funds state otherwise.

NOTE 9 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. In February 2014, the license was expanded to allow for additional equipment and an additional \$1,000 per month, to increase by 3% annually for the duration of the term. 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 the City of San Francisco (formerly OCII and SFRA). The Center received \$88,608 and \$85,815 under this license agreement during the years ended June 30, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

NOTE 9 LICENSE AGREEMENT INCOME (Continued)

The estimated future license fees to be received under the long-term license agreement are as follows:

Year ending June 30,	
<u>2020</u>	\$ 91,042
2021	<u>54,026</u>
	<u>\$ 145,068</u>

NOTE 10 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 2019 and 2018 were \$146,943 and \$146,180, respectively.

NOTE 11 MULTI-EMPLOYER PENSION PLANS

The Center contributes to one multi-employer defined benefit pension plan under the terms of two collective bargaining agreements that cover certain union-represented employees. During the years ended June 30, 2019 and 2018, the Center contributed \$222,804 and \$141,862, respectively, to the union's Pension Trust Fund.

The risk of participating in U.S. multi-employer pension plans is different from single-employer pension plans in the following aspects:

- a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to the employees other participating employers.
- b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c) If the Center stops participating in some of its multi-employer pension plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

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**NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018**

NOTE 11 MULTI-EMPLOYER PENSION PLANS (Continued)

The Center’s participation in these plans for the year ended June 30, 2019, is outlined in the following table. All information in the table is as of June 30, 2019, unless otherwise noted. The Plan Protection Act (“PPA”) zone status column ranks the funded status of multi-employer pension plans depending upon a plan’s current and projected funding. The zone status is based on information that the Center received from the plan. Among other factors, the plan is in the Red Zone (Critical) if it has a current funded percentage less than 65%. A plan is in the Yellow Zone (Endangered) or Orange Zone (Seriously Endangered) if it has a current funded percentage of less than 80%, or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80% and does not have a projected credit balance deficit within seven years. The Funding Improvement Plan (“FIP”)/Rehabilitation Plan (“RP”) status column indicates plans for which a FIP or RP is either pending or in place.

The following table contains information about the Center’s multi-employer pension plans:

	I.A.T.S.E. Local 16 Pension Plan (Entertainment Contract)	I.A.T.S.E. Local 16 Pension Plan (YBCA Contract)
	<u>6/30/2021</u>	<u>6/30/2021</u>
Expiration date of Collective Bargaining Agreement	6/30/2021	6/30/2021
Employer Identification Number	94-6296420	94-6296420
Plan Number	001	001
PPA Status	Green	Green
FIP/RP Status Pending/Implemented	Implemented	Implemented
Center Contributions, year ended 12/31/18	\$ 37,106	\$ 151,931
Center Contributions > 5%?	No	No
Plan’s year-end	Dec. 31	Dec. 31
Surcharge on plan?	No	No

The Center currently has no intention of withdrawing from any of the multi-employer pension plans in which they participate.

NOTE 12 COMMITMENTS, CONCENTRATIONS, AND CREDIT RISK

Naming Agreement - In December 2018, YBCA entered into a multi-year partnership with Blue Shield of California, a not-for-profit health plan and champion of lifestyle medicine, to raise public awareness around the relationship between active engagement with the arts and improved health and well-being for individuals and communities.

To underscore the scope of this commitment, the partnership includes the naming rights to YBCA’s namesake theater, which will officially be named “The Blue Shield of California Theater at YBCA.” YBCA and Blue Shield will introduce artist fellowships, commissioned programs, and annual community events featuring artists and thought leaders at the forefront of the growing conversation around art and health.

The agreement provides a base level of funding with a 3% annual escalator which runs through May of 2034.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

NOTE 12 COMMITMENTS, CONCENTRATIONS, AND CREDIT RISK (Continued)

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, 2019, YBCA had approximately \$5,242,000 in accounts in excess of the federal depository insurance limit of \$250,000. Cash equivalents include money market funds.

Contributions, grants and contracts receivable - As of June 30, 2019, contributions, grants and contracts receivable included amounts due from three institutions that represent 80% of the gross contribution, grants, and contracts receivable balance due. As of June 30, 2018, this number was 57% from three institutions.

Revenues and support - For the year ended June 30, 2019, approximately 17% (17% in 2018) of YBCA's revenue and support was provided by the City and County of San Francisco (formerly the OCII) in accordance with an operating agreement that will expire in 2034 (see Notes 3 and 6).

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 though June 30, 2021.

NOTE 13 CONTINGENCIES

In August of 2014 YBCA was the subject of an examination by the Internal Revenue Service (IRS) of the information returns filed timely for the fiscal years ended June 30, 2012, 2013, and 2014. The field examination results were moved to the IRS appeals office and on November 28, 2016, a conclusion was issued, assessing taxes on raffle activity for the years under IRS examination. In 2017 the IRS also assessed penalties and interest on prior years' taxes, with which YBCA complied.

On March 29, 2018, YBCA received a document request to produce books, records and documents for the YBCA Dream House Raffle from the California Attorney General. While its investigation is ongoing, the Attorney General's office requested some changes in how YBCA operates its raffle. YBCA has complied with these changes and will continue to operate its Dream House Raffle under this guidance and will continue to report its activities to the Attorney General as required. YBCA is not aware of this investigation having any legal or financial liability on its operations.