

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For the Years Ended
June 30, 2022 and 2021 (as restated)**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Yerba Buena Center for the Arts (a California nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021 (as restated; see Note 11), and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yerba Buena Center for the Arts as of June 30, 2022 and 2021 (as restated), 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Yerba Buena Center for the Arts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Yerba Buena Center for the Arts's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Yerba Buena Center for the Arts's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Yerba Buena Center for the Arts's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2023, on our consideration of Yerba Buena Center for the Arts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Yerba Buena Center for the Arts's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yerba Buena Center for the Arts's internal control over financial reporting and compliance.

Doran & Associates

April 13, 2023

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 17,128,788	\$ 19,729,982
Contributions, grants and contracts receivable, current portion, net of allowance for doubtful accounts of \$45,043 at 2022 and \$24,939 at 2021 (Note 1)	416,936	640,101
Other receivables (Note 1)	410,185	6,645
Prepaid expenses	599,310	576,785
Certificates of deposit, current portion (Note 1)	-	1,020,792
Deposits and other current assets	10,401	10,216
Investments (Notes 1 and 4)	7,400,181	8,415,756
Total current assets	<u>25,965,801</u>	<u>30,400,277</u>
Certificates of deposit (Note 1)	974,160	-
Contributions, grants and contracts receivable, net of current portion and present value discount of \$69,587 at 2021 (Note 1)	-	513,747
Construction in progress (Note 5)	315,949	-
Fixtures and equipment, net of accumulated depreciation of \$2,616,225 at 2022 and \$2,454,154 at 2021 (Notes 1 and 5)	<u>409,178</u>	<u>505,746</u>
Total assets	<u>\$ 27,665,088</u>	<u>\$ 31,419,770</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,780,605	\$ 226,787
Other accrued expenses	529,186	194,468
Accrued raffle expenses	62,190	10,000
Accrued unrelated business income tax	-	1,226,825
Accrued paid time off	605,600	571,676
Other liabilities	71,414	62,397
Deposits and refundable advances (Note 1)	1,062,872	927,875
PPP conditional grant (Note 6)	-	1,604,212
Current portion of PPP loan payable (Note 6)	54,712	18,003
Total current liabilities	<u>4,166,579</u>	<u>4,842,243</u>
PPP loan payable, net of current portion (Note 6)	<u>151,211</u>	<u>206,054</u>
Total liabilities	<u>4,317,790</u>	<u>5,048,297</u>
Net assets:		
Net assets without donor restrictions	16,688,412	16,090,724
Net assets with donor restrictions (Note 8)	6,658,886	10,280,749
Total net assets	<u>23,347,298</u>	<u>26,371,473</u>
Total liabilities and net assets	<u>\$ 27,665,088</u>	<u>\$ 31,419,770</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND TRANSFERS			
Support from City and County of San Francisco (Note 3)	\$ 1,739,842	\$ 91,658	\$ 1,831,500
Contributions	266,174	6,667,307	6,933,481
PPP conditional grant (Note 6)	-	1,604,212	1,604,212
Box office ticket sales and gallery admissions	605	-	605
Subsidized community programs	780,941	-	780,941
Facility rentals	945,495	-	945,495
Concession sales	35,946	-	35,946
License agreement income (Note 10)	96,824	-	96,824
Raffle ticket sales	6,643,486	-	6,643,486
Net investment income (Note 4)	(479,580)	(424,217)	(903,797)
In-kind contributions	34,638	-	34,638
Fees for service	25,000	-	25,000
Naming revenue	1,346,017	-	1,346,017
Unrelated business income tax expired (Note 1)	1,226,825	-	1,226,825
Other income	10,162	-	10,162
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>11,465,823</u>	<u>(11,465,823)</u>	<u>-</u>
Total revenue, support, and transfers	<u>24,233,198</u>	<u>(3,621,863)</u>	<u>20,611,335</u>
EXPENSES AND LOSSES			
Program services:			
Exhibitions and Public Program	4,656,802	-	4,656,802
Artist Initiatives	8,807,363	-	8,807,363
Community Use + Special Events	<u>3,145,120</u>	<u>-</u>	<u>3,145,120</u>
Total program services	<u>16,609,285</u>	<u>-</u>	<u>16,609,285</u>
Support services:			
General administration & operations	1,093,859	-	1,093,859
Fundraising:			
General Fundraising	1,184,326	-	1,184,326
Dream House raffle	<u>4,748,040</u>	<u>-</u>	<u>4,748,040</u>
Total supporting services	<u>7,026,225</u>	<u>-</u>	<u>7,026,225</u>
Total expenses and losses	<u>23,635,510</u>	<u>-</u>	<u>23,635,510</u>
Change in net assets	597,688	(3,621,863)	(3,024,175)
Net assets, beginning of year	<u>16,090,724</u>	<u>10,280,749</u>	<u>26,371,473</u>
Net assets, end of year	<u>\$ 16,688,412</u>	<u>\$ 6,658,886</u>	<u>\$ 23,347,298</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, 2021 (as restated)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND TRANSFERS			
Support from City and County of San Francisco (Note 3)	\$ 2,372,625	\$ 124,875	\$ 2,497,500
Contributions	6,437,737	8,413,540	14,851,277
PPP conditional grant (Note 6)	-	1,455,000	1,455,000
Box office ticket sales and gallery admissions	-	-	-
Subsidized community programs	-	-	-
Facility rentals	-	-	-
Concession sales	-	-	-
License agreement income (Note 10)	94,004	-	94,004
Raffle ticket sales	7,040,670	-	7,040,670
Net investment income (Note 4)	412,804	820,809	1,233,613
In-kind contributions	1,000	-	1,000
Fees for service	318,472	-	318,472
Naming revenue	1,306,813	-	1,306,813
Unrelated business income tax expired (Note 1)	319,932	-	319,932
Other income	6,873	-	6,873
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>4,550,073</u>	<u>(4,550,073)</u>	<u>-</u>
Total revenue, support, and transfers	<u>22,956,003</u>	<u>6,169,151</u>	<u>29,125,154</u>
EXPENSES AND LOSSES			
Program services:			
Exhibitions and Public Program	3,518,394	-	3,518,394
Artist Initiatives	2,932,219	-	2,932,219
Community Use + Special Events	931,479	-	931,479
Total program services	<u>7,382,092</u>	<u>-</u>	<u>7,382,092</u>
Support services:			
General administration & operations	1,028,610	-	1,028,610
Fundraising:			
General Fundraising	1,219,633	-	1,219,633
Dream House raffle	4,182,003	-	4,182,003
Total supporting services	<u>6,430,246</u>	<u>-</u>	<u>6,430,246</u>
Total expenses and losses	<u>13,812,338</u>	<u>-</u>	<u>13,812,338</u>
Change in net assets	<u>9,143,665</u>	<u>6,169,151</u>	<u>15,312,816</u>
Net assets, beginning of year, original	7,126,059	4,111,598	11,237,657
Prior period adjustment (Note 11)	<u>(179,000)</u>	<u>-</u>	<u>(179,000)</u>
Net assets, beginning of year, as restated	<u>6,947,059</u>	<u>4,111,598</u>	<u>11,058,657</u>
Net assets, end of year	<u>\$16,090,724</u>	<u>\$10,280,749</u>	<u>\$26,371,473</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, 2022

	Program Services			Supporting Services			Total
	Exhibitions and Public Program	Artist Initiatives	Community Use + Special Events	General Admin. and Operations	Fundraising		
					Fund- Raising	Dream House Raffle	
Salaries and related expenses	\$ 2,314,167	\$ 1,532,601	\$ 2,438,744	\$ 584,434	\$ 778,287	\$ 241,987	\$ 7,890,220
Artist fees and expenses	944,394	52,430	-	-	5,600	-	1,002,424
Program and production	907,930	2,072,601	87,682	92,700	249,402	2,704,151	6,114,466
Marketing & public relations	41,059	45,805	-	3,147	3,148	435,079	528,238
Security and janitorial	44,843	22,390	179,114	42,428	18	-	288,793
Equipment maintenance and supplies	42,858	12,941	76,662	25,591	-	-	158,052
Utilities	47,316	23,658	118,291	47,317	-	-	236,582
Insurance	13,568	27,137	13,568	22,615	13,568	-	90,456
Office expenses	152,371	264,501	125,878	124,452	88,277	1,362,071	2,117,550
Depreciation	24,311	48,621	24,311	40,518	24,311	-	162,072
Interior reserve expenses	56,596	-	46,133	73,254	-	-	175,983
Travel and hospitality	49,156	15,066	9,267	8,339	5,001	622	87,451
Professional services / in-kind expenses	16,673	37,919	16,673	27,787	16,673	4,130	119,855
Grant expenses	-	4,650,667	-	-	-	-	4,650,667
Other facilities expenses	1,560	1,026	8,797	1,277	41	-	12,701
Total expenses included on the expenses section on the Statement of Activities	<u>\$ 4,656,802</u>	<u>\$ 8,807,363</u>	<u>\$ 3,145,120</u>	<u>\$ 1,093,859</u>	<u>\$ 1,184,326</u>	<u>\$ 4,748,040</u>	<u>\$ 23,635,510</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, 2021

	Program Services			Supporting Services			Total
	Exhibitions and Public Program	Artist Initiatives	Community Use + Special Events	General Admin. and Operations	Fundraising		
					Fund- Raising	Dream House Raffle	
Salaries and related expenses	\$ 1,375,874	\$ 1,869,036	\$ 732,003	\$ 621,241	\$ 726,328	\$ 290,633	\$ 5,615,115
Artist fees and expenses	653,279	86,135	-	-	-	-	739,414
Program and production	753,630	626,008	20,213	73,544	407,772	2,646,992	4,528,159
Marketing & public relations	66,315	7,995	4,375	726	-	337,397	416,808
Security and janitorial	67,007	34,384	19,648	14,736	-	-	135,775
Equipment maintenance and supplies	23,995	24,447	21,829	11,666	89	-	82,026
Utilities	44,107	49,767	28,438	21,328	-	-	143,640
Insurance	18,018	21,621	9,009	31,531	9,910	-	90,089
Office expenses	120,759	118,789	69,748	132,440	47,975	879,911	1,369,622
Depreciation	40,546	48,655	20,273	70,954	22,300	-	202,728
Interior reserve expenses	1,970	3,940	-	33,485	-	-	39,395
Travel and hospitality	6,141	1,650	210	386	110	-	8,497
Professional services	8,966	15,526	4,483	15,692	4,931	27,050	76,648
Grant expenses	336,000	23,328	-	-	-	-	359,328
Other facilities expenses	787	938	1,250	881	218	20	4,094
In-kind gifts expense	1,000	-	-	-	-	-	1,000
Total expenses included on the expenses section on the Statement of Activities	\$ 3,518,394	\$ 2,932,219	\$ 931,479	\$ 1,028,610	\$ 1,219,633	\$ 4,182,003	\$ 13,812,338

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ (3,024,175)</u>	<u>\$ 15,312,816</u>
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	162,072	202,728
Realized loss (gain) on investments	27,834	(14,266)
Unrealized loss (gain) on investments	987,190	(1,119,819)
Change in allowance for doubtful accounts	(7,615)	7,948
Change in discount on long-term contracts and promises to give	(41,868)	35,488
Forgiveness of PPP conditional grant/loan payable	(1,604,212)	(1,455,000)
Changes in assets and liabilities:		
Contributions, grants and contracts receivable	786,395	(881,279)
Other receivables	(403,540)	15,505
Accrued interest receivable	9,082	8,308
Prepaid expenses, deposits and other current assets	(22,710)	(312,424)
Accounts payable and accrued expenses	756,842	(1,525,827)
Refundable advances and other deferred income	134,997	(100,970)
Total adjustments	<u>784,467</u>	<u>(5,139,608)</u>
Net cash (used) provided by operating activities	<u>(2,239,708)</u>	<u>10,173,208</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and CDs	(2,110,409)	(4,354,399)
Proceeds from sales and maturities of investments and CDs	2,148,510	2,900,224
Construction in progress	(315,949)	-
Purchase of fixtures and equipment	<u>(65,504)</u>	<u>(47,147)</u>
Net cash used by investing activities	<u>(343,352)</u>	<u>(1,501,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to PPP loan payable	(18,134)	-
Proceeds from PPP conditional grant/loan payable	<u>-</u>	<u>1,828,269</u>
Net cash (used) provided by financing activities	<u>(18,134)</u>	<u>1,828,269</u>
Net (decrease) increase in cash and cash equivalents	(2,601,194)	10,500,155
Cash and cash equivalents, beginning of year	<u>19,729,982</u>	<u>9,229,827</u>
Cash and cash equivalents, end of year	<u>\$ 17,128,788</u>	<u>\$ 19,729,982</u>
Supplementary information:		
Cash paid for taxes (use tax)	<u>\$ 2,600</u>	<u>\$ 27</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, 2022 and 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Yerba Buena Center for the Arts (YBCA) is a 501(c)(3) nonprofit organization with a mission to generate culture that moves people. Opened to the public in 1993, YBCA was founded as the cultural anchor of San Francisco's Yerba Buena neighborhood.

YBCA is a public resource and creative home for artists, changemakers, and communities who are actively working towards a more equitable future. In a moment that calls for radical levels of hope and repair, we invite people to connect to and be changed by one another through evocative creative experiences—in collective pursuit of a better way forward. We bring together artists, cultures, and communities to deepen understanding of—and engagement in—the essential questions of our time and place. Our work includes three distinct and essential components: **Exhibitions and Public Program, Community Use and Special Events, and Artist Initiatives.**

Exhibitions and Public Program develops and supports all forms of art through boundary-breaking public multidisciplinary participatory experiences—including exhibitions, performances, educational programs, commissions, fellowships, events, and convenings. We offer artists the platform and resources to be ambitious, bold, and innovative—sparking dynamic exchange between our communities, onsite and virtually.

Artist Initiatives includes a variety of investments each year that help support the work of artists and their livelihoods. Through regranting programs like the San Francisco Guaranteed Income Program for Artists (SF-GIPA) and Artist Power Convenings; senior fellowships; plus R&D to test new, innovative economic models for artist relief following the devastating impacts of COVID-19, YBCA is actively investing in a shared creative ecosystem of artists who contribute to the well-being of communities in the Bay Area and beyond.

Community Use + Special Events recognizes that our greatest asset is our 130k square-foot multi-use property in the middle of downtown San Francisco. Our work here includes our long-term relationships with Bay Area dance companies, our partnerships with community organizations in San Francisco's under-resourced neighborhoods, and our rentals program, which contributes significant earned revenue to fund the operations of YBCA.

In addition to the funding from the Yerba Buena Conservancy 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, facility rentals, 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.

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

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

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

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.

Certificates of Deposit - The Center holds bank certificates of deposit totaling \$974,160 at June 30, 2022. The CDs bear interest rates ranging from 1.5% to 1.6% per annum and are scheduled to mature March 2024. The Center held bank certificates of deposit totaling \$1,020,792 at June 30, 2021. The CDs bore interest rates ranging from 2.5% to 2.8% per annum and matured February 28, 2022.

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.

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 \$45,043 as of June 30, 2022, and \$24,939 as of June 30, 2021.

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 \$0 as of June 30, 2022, and \$69,587 as of June 30, 2021.

Investments - Investments primarily include corporate stocks, mutual funds, and government and corporate bonds. Purchased investments in equity and debt securities with readily determinable fair values are reported at fair value based on quoted market prices. Other investment instruments are measured on the net equity basis, as reported on the K-1 or other year-end report. Investments received by donation are recorded at the fair value at the date of donation.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Fair Value Measurements - Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Center determines the fair values of its assets and liabilities based on the fair value hierarchy, which includes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are significant other observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 3 inputs are unobservable inputs for the assets or liabilities. Unobservable inputs reflect the Center's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, and may include the Center's own data.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

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

Fair Value Measurements (Continued) - In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Center's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

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.

Unrelated Business Income Tax - The Center accrues a potential liability for unrelated business income tax based on raffle activity, shown as accrued unrelated business income tax on the statement of financial position. The Center has written off the portion of the accrued unrelated business income tax liability upon expiration of the statute of limitations for the filing period for which the accrual was recorded. During the years ended June 30, 2022 and 2021, the Center wrote off \$1,226,825 and \$319,932, respectively, of the accrued unrelated business income tax payable attributable to tax periods outside of the statute of limitations.

Revenue and Revenue Recognition - The Center recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. Consequently, at June 30, 2021, a portion of a grant totaling \$130,000 had not been recognized in the accompanying FY2021 financial statements, because the conditions had not yet been met. The grant details certain approval and expenditure provisions that must be met before the conditions are lifted and the income may be recognized.

Revenue, other than unconditional contributions, bequests, and grants, is recognized in the period in which service is provided. 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.

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 pre-payments 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.

Functional expense allocations - YBCA allocates administrative and support expenses (such as production, facilities and marketing) to our visual arts, rentals and civic engagement programs. These allocations are based on the number of projects, associated expense, as well as staff time that each department devotes to the artistic programs. Allocation percentages are developed from these actuals to assign costs to show the true expense of artistic operating costs.

Time devoted to projects is captured by support staff recording their time to projects as well as managers estimates for general program support.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

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

Functional expense allocations (Continued) - To provide further detail on the expense items shown in the statements of functional expenses:

Program and Production Expenses - consist of outside design and consulting services provided by independent consultants as well as materials and raffle related costs as follows:

	<u>FY2022</u>	<u>FY2021</u>
Design and consulting services	\$ 3,091,413	\$ 1,835,472
Raffle prize/house lease	2,548,758	2,477,122
Materials and supplies	474,044	215,565

Office Expenses - consist of costs necessary for business operations as follows:

	<u>FY2022</u>	<u>FY2021</u>
Printing/postage*	\$ 1,293,876	\$ 777,027
Software/computer hardware	450,280	236,392
Bank, tax and investment fees	185,371	182,794
Telephone/internet costs	125,044	93,038
Payroll/benefit administration	80,149	57,197
Other	28,592	23,174

* Most of these costs are related to the printing and mailing of raffle brochures and postcards.

Interior Reserve Expenses - These are costs that represent facility improvement and upkeep costs. The nature of these costs vary depending on the needs and condition of YBCA's buildings.

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.

Advertising - The Center expenses advertising costs as incurred. During the years ended June 30, 2022 and 2021, the Center incurred \$200,694 and \$146,639, respectively, in advertising expense

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

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 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.

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, 2021, 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.

Accounting Standards Update, ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets - In September 2020, the FASB amended guidance regarding the way nonprofit organizations report nonfinancial assets, including donated goods and rent, in-kind professional services, etc. The amendment requires contributed nonfinancial assets to be presented separately from cash and other financial assets on the statement of activities, and the footnote disclosure must include a dis-aggregation by type, donor restrictions, if applicable, and other details about the nature and valuation of the nonfinancial assets received. The new standard was effective for fiscal years beginning after June 15, 2021, and did not have an impact on the Center's reporting of contributed nonfinancial assets.

Reclassification - Certain balances at, and for the year ended June 30, 2021, were reclassified to conform with June 30, 2022, balances.

Subsequent Events - Subsequent events have been evaluated through April 13, 2023, which is the date the financial statements were available to be issued.

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, cash equivalents, and investments	\$ 21,771,540
Contributions receivable	825,839
Less: temporary restricted	<u>(4,744,422)</u>
Total	<u>\$ 17,852,957</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 equate to 9.25 months which is above the general standard of 3 to 6 months.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

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 and in 2019 to the Yerba Buena Gardens Conservancy (YBGC). For the years ended June 30, 2019 and 2018, the funding level was reduced to \$3,330,000. As of December 2018, the Agreement was extended for an additional term through 2034. In July 2020, YBGC has informed YBCA that funding will be \$2,497,500 for the fiscal year ending June 30, 2021 and \$1,831,500 for fiscal year ending June 30, 2022 as a result of revenue impact from COVID 19. For fiscal year ending June 2023, YBCA has been informed that the fee will be \$1,370,000.

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.

NOTE 4 INVESTMENTS

The following are the major categories of investments measured at fair value on a recurring basis during the years ended June 30, 2022 and 2021, 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, 2022:</u>				
Corporate bonds	\$ -	\$ 403,917	\$ -	\$ 403,917
Government bonds	-	288,144	-	288,144
Domestic common stocks	3,347,473	-	-	3,347,473
Real assets	74,910	-	-	74,910
Mutual funds	3,285,737	-	-	3,285,737
	<u>\$ 6,708,120</u>	<u>\$ 692,061</u>	<u>\$ -</u>	<u>\$ 7,400,181</u>
<u>June 30, 2021:</u>				
Corporate bonds	\$ -	\$ 513,088	\$ -	\$ 513,088
Government bonds	-	206,954	-	206,954
Domestic common stocks	4,155,148	-	-	4,155,148
Real assets	41,270	-	-	41,270
Mutual funds	3,499,296	-	-	3,499,296
	<u>\$ 7,695,714</u>	<u>\$ 720,042</u>	<u>\$ -</u>	<u>\$ 8,415,756</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

NOTE 4 INVESTMENTS (Continued)

The following schedule summarizes the investment return, including operating account activity, for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 157,183	\$ 142,206
(Loss) gain on sale of investments	(27,834)	14,266
Unrealized (loss) gain on investments	(987,190)	1,119,819
Investment fees	(45,956)	(42,678)
Net investment (loss) income	\$ (903,797)	\$ 1,233,613

NOTE 5 FIXTURES AND EQUIPMENT

Fixtures and equipment consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Computer equipment and software	\$ 203,294	\$ 198,098
Furniture	142,202	126,709
Office equipment	139,652	123,373
Leasehold improvements	1,336,348	1,294,878
Other equipment and machinery	1,203,907	1,216,842
Total	3,025,403	2,959,900
Less: accumulated depreciation	(2,616,225)	(2,454,154)
Fixtures and equipment, net	\$ 409,178	\$ 505,746

Depreciation expense for the years ended June 30, 2022 and 2021, was \$162,072 and \$202,728, respectively.

The Center began a lighting system upgrade project expected to be completed in February 2023. As of June 30, 2022, \$315,949 had been expended on this construction in progress.

NOTE 6 PPP CONDITIONAL GRANT / LOAN PAYABLE

- On April 19, 2020, the Center entered into an unsecured note payable to Signature Bank as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act's "Paycheck Protection Program" which is guaranteed by the U.S. Small Business Administration. The loan was for \$1,455,000, was scheduled to mature on April 19, 2022, and bore interest at the fixed rate of 1% per annum. Payments of principal and interest were deferred for six months, then were to be made in eighteen equal payments until maturity. Under the terms of the program, some or all of the loan may be forgiven if funds are used during the covered period for costs identified in the CARES Act: payroll costs, covered rent obligations, and covered utility payments. On April 22, 2021, the loan was forgiven and the conditional grant was recognized as income in FY2021.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

NOTE 6 PPP CONDITIONAL GRANT / LOAN PAYABLE (Continued)

- On February 9, 2021, the Center entered into a second unsecured note payable to Signature Bank as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act's "Paycheck Protection Program" which is guaranteed by the U.S. Small Business Administration. The loan is for \$1,828,269, matures on February 9, 2026, and bears interest at the fixed rate of 1% per annum. Payments of principal and interest are deferred for ten months, then shall be made in equal payments until maturity. Under the terms of the program, some or all of the loan may be forgiven if funds are used during the covered period for costs identified in the CARES Act: payroll costs, covered rent obligations, and covered utility payments. On January 20, 2022, \$1,604,212 was forgiven and recognized as income in FY2022, with the balance of \$224,057 to be repaid.

The future minimum liabilities for the current and succeeding years are as follows:

Year ending June 30,	
2023, current portion	\$ 54,712
2024	55,258
2025	55,817
2026	40,136
Long-term portion	<u>151,211</u>
PPP loan payable, June 30, 2022	<u><u>\$ 205,923</u></u>

NOTE 7 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, 2022 and 2021.

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 2022 and 2021 were \$163,349 and \$53,100, respectively.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to expenditures for specified purposes:		
City and County of		
San Francisco operating reserve	\$ 833,513	\$ 905,204
Future program activities	3,027,580	5,999,449
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	105,479	140,595
	3,966,572	7,045,248
Endowments:		
Subject to appropriation and expenditures when a specified event occurs:		
With donor restrictions	-	-
Available for general use	777,849	1,321,036
	777,849	1,321,036
Subject to the organization's endowment spending policy and appropriation	1,914,465	1,914,465
Total endowments	2,692,314	3,235,501
	<u>\$ 6,658,886</u>	<u>\$ 10,280,749</u>

NOTE 9 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.

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

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

NOTE 9 ENDOWMENT (CONTINUED)

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, 2022</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	-	777,849	777,849
Total funds	<u>\$ -</u>	<u>\$ 2,692,314</u>	<u>\$ 2,692,314</u>
<u>June 30, 2021</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	-	1,321,036	1,321,036
Total funds	<u>\$ -</u>	<u>\$ 3,235,501</u>	<u>\$ 3,235,501</u>

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2022 and 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ -	\$ 2,534,631	\$ 2,534,631
Investment return:			
Interest and dividends	-	48,716	48,716
Realized gain	-	11,759	11,759
Unrealized gain	-	760,333	760,333
Management fees	-	(24,938)	(24,938)
Total investment return	-	795,870	795,870
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(95,000)	(95,000)
Endowment net assets, June 30, 2021	<u>-</u>	<u>3,235,501</u>	<u>3,235,501</u>

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

NOTE 9 ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2022 and 2021 (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment return:			
Interest and dividends	-	60,670	60,670
Realized loss	-	(5,713)	(5,713)
Unrealized loss	-	(476,170)	(476,170)
Management fees	-	(26,974)	(26,974)
Total investment return	<u>-</u>	<u>(448,187)</u>	<u>(448,187)</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, 2022	<u>\$ -</u>	<u>\$ 2,692,314</u>	<u>\$ 2,692,314</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, 2022 and 2021.

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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 ENDOWMENT (CONTINUED)

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 10 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 \$96,824 and \$94,004 under this license agreement during the years ended June 30, 2022 and 2021, respectively.

NOTE 11 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2022, management discovered that a client deposit was mistakenly recorded as a client-forfeit (income), after the event had been cancelled due to the pandemic in March 2020. As a result, the prior period adjustment of \$179,000 was recorded to return the client deposit to the liability as of June 30, 2021, which is the earliest period presented, with an offsetting reduction to net assets without donor restrictions.

NOTE 12 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 2022 and 2021 were \$140,575 and \$140,367, respectively.

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**NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021**

NOTE 13 MULTI-EMPLOYER PENSION PLAN

The Center contributes to one multi-employer defined benefit pension plan under the terms of a collective bargaining agreement that covers certain union-represented employees. During the years ended June 30, 2022 and 2021, the Center contributed \$81,134 and \$6,830, 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.

The Center’s participation in this plan for the year ended June 30, 2022, is outlined in the following table. All information in the table is as of June 30, 2022, 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 plan:

	I.A.T.S.E. Local 16 Pension Plan (YBCA Contract)
Expiration date of Collective Bargaining Agreement	6/30/2024
Employer Identification Number	94-6296420
Plan Number	001
PPA Status	Green
FIP/RP Status Pending/Implemented	Implemented
Center Contributions, year ended 12/31/2020	\$ 44,871
Center Contributions > 5%?	No
Plan’s year-end	Dec. 31
Surcharge on plan?	No

Prior to July 1, 2019, YBCA had two separate plans in Collective Bargaining Agreement. In July 2019, the plans consolidated under one contract as represented above. The Center currently has no intention of withdrawing from any of the multi-employer pension plans in which they participate.

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

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021

NOTE 14 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.

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, 2022, YBCA had approximately \$16,843,000 in accounts in excess of the federal depository insurance limit of \$250,000. Cash equivalents include money market funds.

Revenues and support - For the year ended June 30, 2022, approximately 9% 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 7). Additionally, the Center received donations from two other funders totaling 27% of YBCA's revenue and support for the year ended June 30, 2022.

For the year ended June 30, 2021, approximately 9% 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 7). Additionally, the Center received donations from two funders totaling 36% of YBCA's revenue and support for the year ended June 30, 2021.

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 through June 30, 2024.

Coronavirus Pandemic - In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, had declared a state of emergency and had issued shelter-in-place orders in response to the outbreak. The immediate impact to the Organization's operations includes restrictions on employees' and volunteers' ability to work, and reductions or cancellation of program activities.

YBCA responded to the above challenges by securing funding through the Payroll Protection Program (PPP) and the Shuttered Venue Operating Grant (SVOG). YBCA received a total of \$6.4 million in funding from these sources. YBCA has also been building a long term fundraising strategy, streamlining its operations and staffing to reduce costs all in an effort to build a sustainable future. As of June 2022, YBCA's financial projections show that it can remain a going concern for more than a year.

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

**NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2022 and 2021**

NOTE 15 CONTINGENCIES

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.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

Federal Grantor / Pass-Through Grantor / Program Title	Assistance Listing Number	Federal Expenditures
<u>National Endowment for the Humanities</u>		
Promotion of the Arts Grants to Organizations and Individuals	45.024	\$ 30,000
Museums for America	45.301	250,000
National Leadership Grants	45.312	50,000
<u>Small Business Administration</u>		
Shuttered Venue Operators Grant	59.075	<u>3,386,552</u>
		<u>\$ 3,716,552</u>

Note 1. Basis of Presentation

This schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Yerba Buena Center for the Arts under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Yerba Buena Center for the Arts, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Yerba Buena Center for the Arts.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Center has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Yerba Buena Center for the Arts (a California nonprofit public benefit corporation) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yerba Buena Center for the Arts's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Doran & Associates

April 13, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Yerba Buena Center for the Arts's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Yerba Buena Center for the Arts's major federal programs for the year ended June 30, 2022. Yerba Buena Center for the Arts's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Yerba Buena Center for the Arts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Yerba Buena Center for the Arts and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Yerba Buena Center for the Arts's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Yerba Buena Center for the Arts's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Yerba Buena Center for the Arts's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Yerba Buena Center for the Arts's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Yerba Buena Center for the Arts's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Yerba Buena Center for the Arts's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Yerba Buena Center for the Arts's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Doran & Associates

April 13, 2023

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS, AND CORRECTIVE ACTION PLAN
For the year ended June 30, 2022**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial statements

1. The auditors, Doran & Associates, have issued an unmodified auditor's report.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to financial statements were disclosed during the audit.

Federal awards

4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors have issued an unqualified auditor's report on compliance for major federal award programs.
6. No audit findings that are required to be reported in accordance with 2 CFR 200.516(a) were identified.

7. Identification of major program(s):

Federal Assistance Listing Number #59.075, Shuttered Venue Operators Grant \$ 3,386,552

- The dollar threshold used to distinguish between type A and type B programs is \$750,000.
- The auditee does not qualify as a low-risk auditee.

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

SCHEDULE OF PRIOR AUDIT FINDINGS

None

CORRECTIVE ACTION PLAN

None