

Yerba Buena Center for the Arts

Financial Statements

June 30, 2025

Yerba Buena Center for the Arts

Table of Contents
June 30, 2025

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Independent Auditors' Report

To the Board of Directors of
Yerba Buena Center for the Arts

Opinion

We have audited the financial statements of Yerba Buena Center for the Arts (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the opening balance of the Organization's net assets as of July 1, 2024 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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 audit.

Baker Tilly US, LLP

San Francisco, California
June 11, 2026

Yerba Buena Center for the Arts

Statements of Financial Position

June 30, 2025

Assets

Current Assets

Cash and cash equivalents	\$ 1,034,632
Investments	6,854,122
Accounts receivable	236,417
Pledges receivable, net of allowance for doubtful accounts of \$35,152 at 2025 and \$46,180 at 2024	219,848
Beneficial use of facilities, current	5,605,513
Prepaid expenses	207,495
Other current assets	4,179

Total current assets 14,162,206

Investments, Endowment Funds 6,489,766

Beneficial Use of Facilities, Long-term 70,728,093

Fixtures and Equipment, Net 985,366

Total assets \$ 92,365,431

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 320,908
Other accrued expenses	182,958
Accrued paid time off	367,867
Other liabilities	293,043
Deposits and refundable advances	125,521
Deferred revenue	1,088,774
Paycheck Protection Program loan payable	42,413

Total current liabilities 2,421,484

Net Assets

Net assets without donor restrictions	8,571,424
Net assets with donor restrictions	81,372,523

Total net assets 89,943,947

Total liabilities and net assets \$ 92,365,431

See notes to financial statements

Yerba Buena Center for the Arts

Statement of Activities

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Transfers			
Government contributions	\$ 1,434,050	\$ 30,000	\$ 1,464,050
Contributions	245,261	260,000	505,261
Short term licensing	4,491,230	-	4,491,230
License agreement income	105,542	-	105,542
Net investment income	804,583	409,898	1,214,481
Contributed services	100,551	-	100,551
Naming revenue	1,470,832	-	1,470,832
Other income	129,633	-	129,633
Amortization of contributed use of facilities	-	7,620,474	7,620,474
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	15,049,448	(15,049,448)	-
Total revenue, support and transfers	23,926,130	(6,824,076)	17,102,054
Expenses and Losses			
Program Services:			
Exhibitions and Public Program	4,723,876	-	4,723,876
Community Use and Special Events	13,428,425	-	13,428,425
Artist Initiatives	2,355,327	-	2,355,327
Total program services	20,507,628	-	20,507,628
Support Services			
Management and general	2,132,044	-	2,132,044
Fundraising	1,670,996	-	1,670,996
Total supporting services	3,803,040	-	3,803,040
Total expenses	24,310,668	-	24,310,668
Change in net assets	(384,538)	(6,824,076)	(7,208,614)
Net Assets, Beginning, as Originally Stated	8,955,962	6,770,156	15,726,118
Restatement	-	81,426,443	81,426,443
Net Assets, Beginning, as Restated	8,955,962	88,196,599	97,152,561
Net Assets, Ending	\$ 8,571,424	\$ 81,372,523	\$ 89,943,947

See notes to financial statements

Yerba Buena Center for the Arts

Statement of Functional Expenses

Year Ended June 30, 2025

	Program			Supporting Services		Total
	Exhibitions and Public Program	Community Use and Special Events	Artist Initiatives	Management and General	Fundraising	
In-Kind occupancy expense	\$ 2,224,009	\$ 7,618,540	\$ 963,765	\$ 1,017,065	\$ 889,932	\$ 12,713,311
Salaries and related expenses	1,613,365	4,446,485	849,561	639,532	301,088	7,850,031
Production	318,269	224,011	178,848	123,348	432,452	1,276,928
Office expenses	125,877	331,650	29,134	51,882	-	538,543
Security and janitorial	111,775	259,586	52,148	94,584	-	518,093
Utilities	87,328	204,983	48,002	89,722	6,288	436,323
Equipment maintenance and supplies	46,093	152,854	19,408	37,466	1,346	257,167
Professional services/ in-kind expense	31,397	64,319	20,423	33,759	27,515	177,413
Grant expenses	250	-	151,205	-	-	151,455
Artist fees and expenses	95,310	-	2,750	-	-	98,060
Insurance	19,583	43,876	11,499	20,436	2,562	97,956
Depreciation	17,687	44,218	8,844	17,687	-	88,436
Travel and hospitality	16,234	22,393	4,430	3,074	1,986	48,117
Marketing and public relations	15,617	1,244	14,517	2,358	7,458	41,194
Other expenses	1,082	14,266	793	1,131	369	17,641
Total expenses	\$ 4,723,876	\$ 13,428,425	\$ 2,355,327	\$ 2,132,044	\$ 1,670,996	\$ 24,310,668

See notes to financial statements

Yerba Buena Center for the Arts

Statement of Cash Flows

Year Ended June 30, 2025

Cash Flows From Operating Activities

Change in net assets	\$ (7,208,614)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	88,436
Realized gain on investments	(758,957)
Unrealized gain on investments	(134,196)
Change in provision for expected credit losses	(11,028)
Contributed facilities	5,092,836
Changes in assets and liabilities:	
Accounts receivable	(201,265)
Pledges receivable	976,462
Prepaid expenses, deposits and other current assets	76,059
Accounts payable and accrued expenses	122,039
Deposits and refundable advances	(124,640)
Deferred revenue	364,233
	<hr/>
Net cash from operating activities	(1,718,635)

Cash Flows From Investing Activities

Purchase of investments	(11,366,901)
Proceeds from sales of investments	7,723,684
Purchase of fixtures and equipment	(95,826)
	<hr/>
Net cash from investing activities	(3,739,043)

Cash Flows From Financing Activities

Payments on PPP loan payable	(55,785)
	<hr/>
Net cash from financing activities	(55,785)
	<hr/>
Net change in cash and cash equivalents	(5,513,463)

Cash and Cash Equivalents, Beginning

6,548,095

Cash and Cash Equivalents, Ending

\$ 1,034,632

Supplementary Information

Cash paid for interest	\$ 766
------------------------	--------

See notes to financial statements

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

1. Organization and Summary of Significant Accounting Policies

Organization

Yerba Buena Center for the Arts (YBCA) is a 501(c)(3) nonprofit organization whose mission is to be a gathering space for creative expression that fosters meaningful connection for all. Opened to the public in 1993, YBCA was founded as the cultural anchor of San Francisco's Yerba Buena neighborhood. For more than 30 years, YBCA has served as a multidisciplinary contemporary arts center where artists and communities come together to experience and engage with art that reflects the diverse realities of our time.

Exhibitions and Public Programs develop and support all forms of art through multidisciplinary participatory experiences. Using interpretive programs built upon YBCA's artistic offerings providing engaging, mission-driven experiences for the public.

Community Use and Special Events: YBCA operates a 130,000-square-foot multi-use campus in downtown San Francisco that includes the Blue Shield of California Theater (757 seats), the YBCA Forum, an 89-seat Screening Room, three contemporary art galleries, and the YBCA Grand Lobby. Our work here includes our long-term relationships with Bay Area performing arts companies, partnerships with San Francisco community organizations, and our short-term licensing program, which generates earned revenue to support the operations of YBCA

Artist Initiatives include a variety of investments to help support the work of artists and their livelihoods. Through regranteeing programs; senior fellowships; plus R&D to test new, innovative economic models for artist relief following the devastating impacts of COVID-19. The final funds for the artist initiatives program were distributed during the year ended June 30, 2025.

In addition to the funding from the Yerba Buena Gardens Conservancy agreement (see Note 4 regarding the successor agency), YBCA receives support from public and private foundations, corporations and individuals. It also earns revenue through ticket sales, licensed use, and other revenue generating programs.

Basis of Presentation

The financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for Not-for-Profit Organizations.

Net Assets

YBCA reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. YBCA's Board of Directors may designate net assets without restrictions for a specific purpose. At June 30, 2025, there are no assets designated by the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of YBCA pursuant to those stipulations or are required to be maintained in perpetuity by YBCA.

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

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 original maturity dates within three months of the acquisition date.

Investments

Investments primarily include corporate stocks, mutual funds, and government and corporate bonds. Investments in equity and debt securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments in government and corporate bonds are valued at fair value using quoted prices for similar instruments in active markets and other observable inputs. Investments received by donation are recorded at fair value at the date of donation.

Accounts Receivable

YBCA recognizes an allowance for credit losses for account receivables to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events, and also future events based on management's expectation as of the statement of financial position date. Accounts receivables are written off when YBCA determines that such receivables are deemed uncollectible. YBCA pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, YBCA measures those receivables individually. YBCA also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

YBCA utilizes the aging method in determining its lifetime expected credit losses on its accounts receivable. This method is used for calculating an estimate of losses based primarily on YBCA's historical loss experience. In determining its loss rates, YBCA evaluates information related to its historical losses, adjusted for current conditions, and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period considers all the following: past due receivables, historical collection rates, and legal and regulatory requirements. For accounts receivable that are not expected to be collected within the normal business cycle, YBCA considers current and forecasted direction of the economic and business environment.

At June 30, 2025, accounts receivable are expected to be collected in full and no adjustments are considered necessary.

Pledges Receivable

Pledges receivable include unconditional promises to give from donors. Pledges receivable are recorded at net realizable value. Pledges receivable that are expected to be received in future years are discounted to the anticipated value of future cash flows using a discount rate. Uncollectible pledges are determined based on the historical experience. At June 30, 2025, the allowance for doubtful pledges was \$35,152.

Fair Value Measurements

YBCA considers the use of market-based information over entity specific information in valuing its financial assets measured at fair value. This includes a three-level hierarchy for fair value measurements based on the nature of inputs in the valuation of an asset or liability as of the measurement date.

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 - inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.

Level 3 - inputs to the valuation methodology - unobservable and significant to the fair value measurement.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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 \$5,000 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

Unconditional contributions are reflected in the accounts of YBCA when their receipt is reasonably assured. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions.

Contributions and pledges receivable are reviewed for collectability, and reserves for uncollectible amounts are established when needed.

Conditional promises to give are those with measurable performance or other barriers and a right of return that are not recognized until the conditions on which they depend have been met. Once conditions associated with the promise to give have been fulfilled, they are recognized at their fair value. There were no conditional promises to give at June 30, 2025.

Program Income

Program revenue is evaluated through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Program income includes revenue earned from short term licensing, gallery admissions, ticket sales, and concession and merchandise sales. YBCA's performance obligation and transaction price are specified in the contract. Revenue is recognized once the facility rental period is completed, after the event has occurred, or once goods are transferred to the customer.

YBCA recognizes revenue from box office sales, short term licensing, 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.

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

Contract assets and liabilities consist of the following:

	<u>June 30, 2025</u>	<u>July 1, 2024</u>
Accounts receivable	\$ 236,417	\$ 35,152
Deferred revenue	1,088,774	-
Total	<u>\$ 1,325,191</u>	<u>\$ 35,152</u>

Contributed Nonfinancial Assets

YBCA receives the benefit of in-kind goods and services that either (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased by YBCA if they had not been provided by contribution. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftspeople.

There was \$100,551 of contributed services received during the year ended June 30, 2025, valued at the estimated fair value of the services based on current rates. Amortization of the donated use of facilities during the year ended June 30, 2025 amounted to \$7,620,474.

Functional Expense Allocations

The cost of providing program and supporting services has been summarized on a functional basis in the statement of activities. Expenses, such as payroll and benefits, have been allocated among program and supporting services based upon the employees' estimated time spent by function. Facility related costs such as depreciation and occupancy costs have been allocated based on estimated square footage used by various departments.

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.

Advertising

YBCA expenses advertising costs as incurred. During the year ended June 30, 2025, the Center incurred \$39,675 in advertising expense.

Income Tax Status

YBCA qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provision of State law and, accordingly, is not subject to federal or state income taxes.

YBCA follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on the tax return should be recorded in the financial statements. Under this guidance, YBCA may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. YBCA does not believe that it has any uncertain tax positions at June 30, 2025

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

Subsequent Events

Subsequent events have been evaluated through June 11, 2026, which is the date the financial statements were available to be issued.

2. Restatement

YBCA's previously issued financial statements as of and for the year ended June 30, 2024 have been restated. Prior to the year ending June 30, 2025, YBCA did not record beneficial use of facilities (see Note 6). Accordingly, YBCA adjusted net assets with donor restrictions and beneficial use of facilities as of July 1, 2024. The opening balance of net assets with donor restrictions and beneficial use of facilities as of July 1, 2024 was increased by \$81,426,443 to reflect the recording of the beneficial use of facilities.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of the year, as previously stated	\$ 8,955,962	\$ 6,770,156	\$ 15,726,118
Impact of restatement	-	81,426,443	81,426,443
Net assets, beginning of the year, as adjusted	<u>\$ 8,955,962</u>	<u>\$ 88,196,599</u>	<u>\$ 97,152,561</u>

The effect of the restatement would have decreased the total change in net assets from (\$6,213,340) to (\$10,840,389).

3. Liquidity and Availability of Resources

YBCA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. YBCA strives to maintain liquid reserves in excess of three months of general expenditures.

YBCA's financial assets available within one year of the statement of financial position date for general expenses are as follows:

Cash and cash equivalents	\$ 1,034,632
Investments	6,854,122
Accounts receivable	236,417
Pledges receivable	219,848
Less net assets with donor restrictions – time and purpose	<u>(1,348,466)</u>
Total financial assets available for general expenditure	<u>\$ 6,996,553</u>

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

4. 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 per year 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).

At December 2018, the Agreement was extended for an additional term through 2034. For fiscal year ending June 30, 2025, the funding was \$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.

Under its operating agreement, YBCA receives funding on a yearly basis. The agreement requires YBCA to set aside 5% of its annual appropriation from the City into an interior reserve fund, which 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.

Amounts placed in the interior reserve fund are recorded as donor restricted revenues when received. The funds cannot be expended without the advance written approval of the City. There were no funds received or expenditures from the interior reserve during 2025.

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 the City is not able to provide full funding to YBCA. If at any time 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 year ended June 30, 2025.

5. Investments

YBCA's assets measured at fair value on a recurring basis at June 30, 2025 consist of the following:

	Fair Value Measurements Using		Total
	Level 1	Level 2	
Corporate bonds	\$ -	\$ 1,997,301	\$ 1,997,301
Government bonds	-	2,642,221	2,642,221
Domestic common stock	2,834,647	-	2,834,647
International common stock	79,538	-	79,538
REIT	79,821	-	79,821
Mutual funds	5,503,767	-	5,503,767
Money market	206,593	-	206,593
Total	\$ 8,704,366	\$ 4,639,522	\$ 13,343,888

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

The following schedule summarizes the investment return, including operating account activity, for the year ended June 30, 2025:

Interest and dividends	\$ 404,786
Gain on sale of investments	758,957
Unrealized gain on investments	134,196
Investment fees	<u>(83,458)</u>
Net investment income	<u>\$ 1,214,481</u>

6. Beneficial Use of Facilities

In 2019, the Organization entered into an Operating Agreement (the Agreement) with the City and County of San Francisco (the City), where the Organization receives discounted use of these facilities at a rate of \$1 annually. The City later transferred its rights under the Agreement to Yerba Buena Gardens Conservancy (YBGC). Under the existing agreement between the Organization and YBGC, the Organization operates cultural facilities located within Yerba Buena Gardens including a theater, forum, screening room and galleries. The beneficial use of facilities is nontransferable and restricted to cultural programming consistent with the mission of the Organization. The Agreement expires on June 30, 2034, with an option to extend if mutually agreed upon.

The Organization recognized the fair value of the use of facilities as revenue and a related beneficial use of facilities asset.

In-kind occupancy expense resulting from the amortization of the beneficial use of facilities totaled \$12,713,310 during the year ended June 30, 2025. Revenue resulting from the amortization of the present value discount amounted to \$7,620,474 during the year ended June 30, 2025. The present value discount is amortized to revenues over the term of the agreement using a discount rate of 9.63%.

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.

At June 30, 2025, beneficial use of facilities, net consists of the following:

Contributions receivable – beneficial use of facilities	\$ 114,419,791
Less: discount to net present value	<u>(38,086,185)</u>
Total beneficial use of facilities	76,333,606
Less: current portion of beneficial use of facilities	<u>(5,605,513)</u>
Long-term beneficial use of facilities	<u>\$ 70,728,093</u>

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

7. Fixtures and Equipment

Fixtures and equipment consisted of the following as of June 30, 2025:

Computer equipment and software	\$	208,971
Furniture		142,202
Office equipment		139,652
Leasehold improvements		1,451,291
Other equipment and machinery		<u>2,077,559</u>
Total		4,019,675
Less accumulated depreciation		<u>3,034,309</u>
Fixtures and equipment, net	\$	<u>985,366</u>

8. PPP Conditional Grant / Loan Payable

On February 9, 2021, 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 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 during the year ended June 30, 2022, with the balance of \$224,057 to be repaid.

The future minimum liability for the year ending June 30, 2026 is \$42,413.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the year June 30, 2025 following purposes or periods:

Subject to expenditures for specified purposes:		
City and County of San Francisco operating reserve	\$	1,047,216
Future program activities		251,250
Beneficial use of facilities		76,333,606
Subject to the passage of time		<u>50,000</u>
		<u>77,682,072</u>
Endowments accumulated earnings subject to appropriation and expenditures when a specified event occurs:		
Available for general use		<u>1,775,986</u>
Perpetual in nature, subject to spending policy and appropriation:		<u>1,914,465</u>
Total endowments		<u>3,690,451</u>
Total net assets with donor restrictions	\$	<u>81,372,523</u>

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

10. Net Assets Released From Restrictions

Net assets released from donor's restrictions by incurring allowable expenses or passage of time for the year ended June 30, 2025 were as follows:

Endowment appropriations	\$	95,000
Time and purpose		2,336,138
Beneficial use of facilities		12,713,310
		<hr/>
Total	\$	15,144,448
		<hr/>

11. Endowment

YBCA's endowment consists of an investment account established for future program expenses. Its endowment includes donor-restricted and board designated 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 YBCA in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, YBCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of June 30, 2025:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	\$ -	\$ 1,914,465	\$ 1,914,465
Board designated endowment funds	2,799,315	-	2,799,315
Accumulated investment gains	-	1,775,986	1,775,986
	<hr/>	<hr/>	<hr/>
Total funds	\$ 2,799,315	\$ 3,690,451	\$ 6,489,766
	<hr/>	<hr/>	<hr/>

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

Changes in Endowment Net Assets for the fiscal year ended June 30, 2025:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2024	<u>\$ 93,355</u>	<u>\$ 3,375,553</u>	<u>\$ 3,468,908</u>
Investment return:			
Interest and dividends	88,649	114,125	202,774
Realized loss	(97,939)	(180,080)	(278,019)
Unrealized gain	232,121	502,874	734,995
Management fees	<u>(16,871)</u>	<u>(27,021)</u>	<u>(43,892)</u>
Total investment return	<u>205,960</u>	<u>409,898</u>	<u>615,858</u>
Designated by the board	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(95,000)</u>	<u>(95,000)</u>
Endowment net assets, June 30, 2025	<u>\$ 2,799,315</u>	<u>\$ 3,690,451</u>	<u>\$ 6,489,766</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 YBCA to retain as a fund of perpetual duration. Management has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies as of June 30, 2025.

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 YBCA 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). YBCA targets a diversified asset allocation 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 up to 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, YBCA considered its long-term expected return on its endowment. Accordingly, over the long-term, YBCA expects investment returns to exceed the annual spending rate, allowing the endowment to maintain or grow its value. This is consistent with YBCA'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.

12. License Agreement Income

On November 17, 2010, YBCA 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 \$105,542 under this license agreement during the year ended June 30, 2025.

13. Retirement Plan

YBCA has an employer contributory tax-deferred annuity plan as established under Internal Revenue Code Section 403(b). 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 the year ended June 30, 2025 were \$107,548.

14. Multi-Employer Pension Plan

YBCA 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 year ended June 30, 2025, the Center contributed \$176,157 to the union's Pension Trust Fund, respectively.

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.

Yerba Buena Center for the Arts

Notes to Financial Statements

June 30, 2025

The Center's participation in this plan for the year ended June 30, 2025, is outlined in the following table. All information in the table is as of June 30, 2025, 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	6/30/2027
Employer Identification Number	94-6296420
Plan Number	001
PPA Status	Green
FIP/RP Status Pending/Implemented	Implemented
Center Contributions, year ended December 31, 2024	\$ 163,319
Center Contributions	No
Plan's year-end	December 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.

15. 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.

The agreement provides a base level of funding with a 3% annual escalator which runs through May of 2034. Entities receiving economic benefits include PIVOT Marketing Agency and Bartram Sponsorship Strategies, LLC, and they receive a 10% commission from sponsorship revenue obtained from Blue Shield of California.

Credit Risk

Financial instruments that potentially subject YBCA to credit risk consist primarily of cash and cash equivalents. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). YBCA has not experienced any losses in such accounts and believes it is not exposed to any significant risks.

Yerba Buena Center for the Arts

Notes to Financial Statements
June 30, 2025

Investments are managed by an investment advisor and in general are exposed to various risks, such as interest rate, credit and overall market volatility. To address the risk of investments, YBCA maintains a diversified portfolio subject to an investment policy that sets out performance criteria, investment guidelines, asset allocation guidelines, and requires review of the investment advisor's performance. This entire process is actively overseen by the Board of Directors. Investments are secured up to the limit set by the Securities Investor Protection Corporation (SIPC). As of June 30, 2025, YBCA held investments in excess of the SIPC insurance limits.

Revenues and Support

For the year ended June 30, 2025, approximately 14% 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 Note 4). Additionally, the Center had two funders who had grants receivable totaling 95% of contributions, grants and contracts receivable at June 30, 2025.

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 16 I.A.T.S.E. and Local B-18 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, 2027. The contract with Local B-18 I.A.T.S.E. was renewed through June 30, 2028.

16. Contingencies

YBCA is involved in various legal actions in the normal course of business. While the results of such proceedings cannot be predicted with certainty, management expects the ultimate resolutions of these matters will not have a material adverse effect on YBCA's financial position or results of operations.

17. Related Parties

YBCA's operating agreement with YBGC is considered a related party where YBCA allocated shared costs between YBCA and YBGC. For the year ended June 30, 2025, YBCA awarded grants to YBGC totaling \$171,883 under the Agreement.

YBCA received approximately \$4,388 in contributions from members of the Board and employees for the year ended June 30, 2025.