



*Report of Independent Auditors and  
Financial Statements*

**Yerba Buena Gardens Conservancy**

*June 30, 2021 and 2020*

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## **Report of Independent Auditors**

To the Board of Directors  
Yerba Buena Gardens Conservancy

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Yerba Buena Gardens Conservancy (the "Conservancy"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yerba Buena Gardens Conservancy as of June 30, 2021 and 2020, 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.

*Moss Adams LLP*

San Francisco, California  
October 14, 2021

## **Financial Statements**

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**Yerba Buena Gardens Conservancy**  
**Statements of Financial Position**  
**As of June 30, 2021 and 2020**

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,109,844	\$ 9,555,710
Rent receivable, net	857,883	1,087,320
Due from City of San Francisco	20,000	566,354
Prepaid expenses	173,709	244,478
Contributed right-of-use asset	<u>144,095,325</u>	<u>147,682,760</u>
Total assets	<u>\$ 153,256,761</u>	<u>\$ 159,136,622</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 500,907	\$ 586,459
Accrued expenses	323,097	16,318
Deferred revenue	781,184	1,531,184
Paycheck Protection Program loan	<u>257,239</u>	<u>-</u>
Total liabilities	<u>1,862,427</u>	<u>2,133,961</u>
<b>NET ASSETS</b>		
Without donor restrictions	7,299,009	9,319,901
With donor restrictions	<u>144,095,325</u>	<u>147,682,760</u>
Total net assets	<u>151,394,334</u>	<u>157,002,661</u>
Total liabilities and net assets	<u>\$ 153,256,761</u>	<u>\$ 159,136,622</u>

**Yerba Buena Gardens Conservancy**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2021**

	Without donor restrictions	With donor restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Rental income	\$ 4,332,635	\$ -	\$ 4,332,635
Event revenue	18,208	-	18,208
Contributions	9,717	-	9,717
Other income	2,988,871	-	2,988,871
Net assets released from restriction	3,587,435	(3,587,435)	-
Total support and revenue	<u>10,936,866</u>	<u>(3,587,435)</u>	<u>7,349,431</u>
<b>EXPENSES</b>			
Program services	11,428,847	-	11,428,847
General and administrative	1,528,911	-	1,528,911
Total expenses	<u>12,957,758</u>	<u>-</u>	<u>12,957,758</u>
<b>CHANGE IN NET ASSETS</b>	(2,020,892)	(3,587,435)	(5,608,327)
<b>NET ASSETS, beginning of year</b>	<u>9,319,901</u>	<u>147,682,760</u>	<u>157,002,661</u>
<b>NET ASSETS, end of year</b>	<u>\$ 7,299,009</u>	<u>\$ 144,095,325</u>	<u>\$ 151,394,334</u>

**Yerba Buena Gardens Conservancy**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2020**

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	2020		Total
	Without donor restrictions	With donor restrictions	
<b>SUPPORT AND REVENUE</b>			
Contributed lease revenue	\$ -	\$ 151,270,195	\$ 151,270,195
Rental income	19,278,917	-	19,278,917
Event revenue	467,744	-	467,744
Contributions	19,857	-	19,857
Other income	238,093	-	238,093
Net assets released from restriction	3,587,435	(3,587,435)	-
	<u>23,592,046</u>	<u>147,682,760</u>	<u>171,274,806</u>
<b>EXPENSES</b>			
Program services	13,035,193	-	13,035,193
General and administrative	827,493	-	827,493
	<u>13,862,686</u>	<u>-</u>	<u>13,862,686</u>
<b>CHANGE IN NET ASSETS</b>	9,729,360	147,682,760	157,412,120
<b>NET ASSETS, beginning of year</b>	<u>(409,459)</u>	<u>-</u>	<u>(409,459)</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 9,319,901</u></u>	<u><u>\$ 147,682,760</u></u>	<u><u>\$ 157,002,661</u></u>



**Yerba Buena Gardens Conservancy**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**

	Program Services				Total	General and Administrative	Total
	Garden Operations	Capital Projects	Cultural Entities	City and County of San Francisco, Department of Real Estate Overhead			
EXPENSES							
Yerba Buena Center for the Arts	\$ -	\$ -	\$ 2,497,500	\$ -	\$ 2,497,500	\$ -	\$ 2,497,500
Contracted services	1,232,302	-	-	-	1,232,302	92	1,232,394
Capitalized expenditures	-	2,171,234	-	-	2,171,234	-	2,171,234
Yerba Buena Children's Creativity Museum	-	-	450,000	-	450,000	-	450,000
Rent and utilities	3,872,266	-	-	-	3,872,266	17,690	3,889,956
Consulting fees	13,178	-	-	-	13,178	233,776	246,954
Salaries	453,406	207,446	-	-	660,852	310,000	970,852
Maintenance and repair	124,158	-	-	-	124,158	1,461	125,619
Bad debt expense	-	-	-	-	-	692,425	692,425
Insurance	-	-	-	82,170	82,170	163,213	245,383
Yerba Buena Arts and Events	17,500	-	38,750	-	56,250	-	56,250
Taxes and benefits	153,922	41,239	-	47,932	243,093	87,431	330,524
Other expense	25,641	-	-	3	25,644	13,570	39,214
Marketing and branding	200	-	-	-	200	9,253	9,453
<b>Total expenses</b>	<b>\$ 5,892,573</b>	<b>\$ 2,419,919</b>	<b>\$ 2,986,250</b>	<b>\$ 130,105</b>	<b>\$ 11,428,847</b>	<b>\$ 1,528,911</b>	<b>\$ 12,957,758</b>

**Yerba Buena Gardens Conservancy**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**

	Program Services				Total	General and Administrative	Total
	Garden Operations	Capital Projects	Cultural Entities	City and County of San Francisco, Department of Real Estate Overhead			
<b>EXPENSES</b>							
Yerba Buena Center for the Arts	\$ -	\$ -	\$ 3,330,000	\$ -	\$ 3,330,000	\$ -	\$ 3,330,000
Contracted services	2,805,547	-	-	-	2,805,547	95	2,805,642
Capitalized expenditures	-	1,967,038	-	-	1,967,038	-	1,967,038
Yerba Buena Children's Creativity Museum	-	-	600,000	-	600,000	-	600,000
Rent and utilities	3,844,639	-	-	-	3,844,639	19,332	3,863,971
Consulting fees	-	-	-	-	-	271,053	271,053
Salaries	-	-	-	-	-	199,525	199,525
Maintenance and repair	184,547	-	-	-	184,547	-	184,547
Bad debt expense	-	-	-	-	-	164,009	164,009
Insurance	43,451	-	-	58,891	102,342	59,165	161,507
Yerba Buena Arts and Events	-	-	75,000	-	75,000	-	75,000
Taxes and benefits	-	-	-	-	-	72,108	72,108
City administration expense	-	-	-	103,189	103,189	-	103,189
Other expense	20,791	-	-	-	20,791	26,529	47,320
Marketing and branding	2,100	-	-	-	2,100	15,677	17,777
<b>Total expenses</b>	<b>\$ 6,901,075</b>	<b>\$ 1,967,038</b>	<b>\$ 4,005,000</b>	<b>\$ 162,080</b>	<b>\$ 13,035,193</b>	<b>\$ 827,493</b>	<b>\$ 13,862,686</b>

**Yerba Buena Gardens Conservancy**  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (5,608,327)	\$ 157,412,120
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributed lease revenue	-	(151,270,195)
Amortization of contributed right of use asset	3,587,435	3,587,435
Change in allowance for doubtful accounts	-	164,009
Bad debt expense	692,425	-
Changes in operating assets and liabilities:		
Rent receivable	(462,988)	(1,251,329)
Due from City and County of San Francisco	546,354	(566,354)
Prepaid expenses	70,769	(244,478)
Accounts payable	(85,552)	400,264
Accrued expenses	306,779	16,318
Deferred revenue	<u>(750,000)</u>	<u>1,531,184</u>
Net cash (used in) provided by operating activities	<u>(1,703,105)</u>	<u>9,778,974</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	-	(300,000)
Proceeds from Paycheck Protection Program loan	<u>257,239</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>257,239</u>	<u>(300,000)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	(1,445,866)	9,478,974
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>9,555,710</u>	<u>76,736</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 8,109,844</u>	<u>\$ 9,555,710</u>
<b>SUPPLEMENTAL CASH-FLOW DISCLOSURES</b>		
Cash paid for taxes	<u>\$ 87,431</u>	<u>\$ 72,108</u>

# Yerba Buena Gardens Conservancy

## Notes to Financial Statements

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### NOTE 1 – DESCRIPTION OF ORGANIZATION

Yerba Buena Gardens Conservancy (the “Conservancy”) is a civic nonprofit organization established to program, operate, maintain, and improve the publicly owned three city blocks of Yerba Buena Gardens on behalf of the residents and visitors of the City and County of San Francisco. Located in central San Francisco, the Yerba Buena Gardens are a treasured cultural asset visited by over five million people annually.

Consistent with the City of San Francisco's vision, the Yerba Buena Gardens is a self-financing entity, where surrounding developments and retail leases financially support the operation and maintenance of its public park and cultural facilities. Donations to the Conservancy keep the park safe, clean, and welcoming for all to enjoy and support capital improvements.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting** – The accompanying financial statements of the Conservancy have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). Under the accrual basis of accounting, contributions are recognized when promised, revenues are recognized when earned, and expenses are recognized when incurred.

The Conservancy is required to report information regarding its financial position and activities according to the following classes of net assets:

*Without donor restrictions* include resources for which there are no donor restrictions. Such amounts are available to support the Conservancy's operations and programs. A portion of these net assets may be designated by the Board of Directors for specific purposes. There were no board-designated net assets as of June 30, 2021 and 2020.

*With donor restrictions* include resources that have restrictions on the specific use or the occurrence of a certain future event. All donor restricted revenues are recorded as with donor restrictions on the statements of activities and changes in net assets. Once the restriction is met, contributions are reported as net assets released from restriction on the statements of activities and changes in net assets.

**Use of estimates** – The Conservancy prepares its financial statements in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although management bases these estimates on its knowledge of current events and actions it may undertake in the future, actual results could differ from those estimated.

**Cash and cash equivalents** – The Conservancy considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Conservancy places its cash and cash equivalents only with high credit quality institutions.

**Rent receivable** – Rent receivable represents past due obligations of tenants owed to the Conservancy. The Conservancy used the allowance method to account for uncollectible receivables. The allowance for uncollectible receivables reflects management's best estimate of the amounts that will not be collected based on historical experience and an evaluation of the outstanding receivables at the end of the year. As of June 30, 2021 and 2020, the allowance for uncollectible receivables was \$164,009.

## Yerba Buena Gardens Conservancy

### Notes to Financial Statements

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For the year ended June 30, 2021, the Board of Directors approved rent abatement in the amount of \$640,240, which was written off directly as bad debt expense. There were no direct write offs for the year ended June 30, 2020.

**Contributed right of use asset/lease revenue** – Effective July 1, 2019, the Conservancy entered into a lease agreement (the “Lease Agreement”) with the City and County of San Francisco to lease the properties commonly referred to as the Yerba Buena Gardens and owned by the City. The lease is effective until the termination date of September 1, 2061, and annual rental payments are \$1. The Conservancy has estimated the fair present value of the lease to be \$151,270,195, which is reported as contributed lease revenue with donor restriction on the statement of activities and changes in net assets for the fiscal year ended June 30, 2020. The lease has been discounted using a borrowing rate of 4.75%, which is deemed by management to be the best estimate of future borrowing rates. The asset is being amortized annually on a straight-line basis over the life of the lease. For the years ended June 30, 2021 and 2020, \$3,587,435, has been recorded as rent expense and released from restriction. Ending net assets with donor restriction and asset balances were \$144,095,325 and \$147,682,760, at June 30, 2021 and 2020, respectively.

**Due from City of San Francisco** – Due from City and County of San Francisco represents rental income, start-up costs and earned interest owed to the Conservancy as a part of the signing of the Lease Agreement.

**Deferred revenue** – Deferred revenue represents rental revenue for the subsequent fiscal year, received in advance.

**Note payable** – The Conservancy received an interest free, unsecured loan from the Yerba Buena Community Benefit District for \$300,000 to help fund start-up costs. The loan was repaid in full during the year ended June 30, 2020.

**Paycheck Protection Program loan** – The note payable issued pursuant to the Paycheck Protection Program (“PPP”) administered by the United States Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was initially recorded as a liability on the statements of financial position. When the legal release criteria have been met, the liability is extinguished, and any amount forgiven will be recognized as a gain on extinguishment in accordance with Financial Accounting Standards Board Accounting Standard Codification 470, *Debt*. The loans bear interest of 1% with no payments for the first 10 months. Subsequent to year end, the Conservancy was granted full forgiveness of the loans (subsequent events).

**Rental income** – Rental income represents amounts received from tenants. Rental income is recognized in the period in which the rent relates to. Included in rental income for the year ended June 30, 2020, were \$11,812,048 of previous years’ rental payments which was originally received by the City and County of San Francisco in prior years and transferred to the Conservancy during the year ended June 30, 2020, as stipulated in the Lease Agreement. There were no previous years’ rental payments included in rental income during the year ended June 30, 2021. Rental income is recognized under Accounting Standards Codification (ASC) 820.

## Yerba Buena Gardens Conservancy Notes to Financial Statements

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**Other income** – Included in 2021 other income is a \$1,867,988 community benefits package that was received as a part of a developer agreement for developments done in the Neighborhood, which had an impact to the Yerba Buena Gardens. Also included in 2021 other income, is \$1,001,278 in settlement insurance proceeds regarding a previous lawsuit from the City to SFMOMA from damage done during an event in 2017. The repairs were made in 2018 and 2019, and the attorneys and insurance companies had been negotiating for a number of years. In 2021, the City attorney agreed to the settlement, and the proceeds were passed onto the Conservancy, as they were to pay for the previous expensed repairs.

**Event revenue** – Event revenue is recognized when the event takes place. Event revenue is recognized under Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. As of June 30, 2021 and 2020, there are no related contract assets or liabilities.

### **Concentration of risk**

*Financial instruments* – Financial instruments, which potentially subject the Conservancy to concentrations of credit risk, consist principally of cash and cash equivalents. The Conservancy maintains its cash in various deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation (“FDIC”) thresholds. The Conservancy has not experienced any losses in such accounts. Management believes that the Conservancy is not exposed to any significant credit risk related to concentrations.

*Rent receivable* – As of June 30, 2021, 73% of rent receivable was due from two tenants. As of June 30, 2020, 100% of rent receivable were due from three tenants.

**Contingencies** – In March 2020, the World Health Organization declared the novel coronavirus a public health emergency. The Conservancy’s operations are concentrated in California, which has restricted gatherings and implemented shelter-in-place restrictions. Given the uncertainty about the situation, management cannot estimate the impact to the financial statements.

**Functional expenses** – The costs of the Conservancy’s various activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses are allocated to program and general and administrative based upon employees’ time for each function, purpose of each expenditure, and service provided for each program.

**Income taxes** – The Conservancy is a qualified organization exempt from federal and state income taxes under 501(c)(3) of the Internal Revenue Code (“IRC”) and 23701d of the California Revenue and Taxation Code, respectively.

The Conservancy recognizes a threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken in a tax return, and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. For tax exempt entities, favorable tax status itself is deemed to be an uncertainty, as events count potentially occur to jeopardize their tax-exempt status. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Conservancy’s evaluations on June 30, 2021 and 2020, revealed no tax positions that would have a material impact on the financial statements.

The Conservancy’s tax returns are subject to examination by federal and state taxing authorities. However, management is unaware of any pending examinations nor are there any in progress.

# Yerba Buena Gardens Conservancy

## Notes to Financial Statements

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**New accounting pronouncement** – In 2021, the Conservancy adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective method. There was no prior period adjustment related to the adoption and the adoption did not have a significant impact to the financial statements.

**Subsequent events** – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Conservancy recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Conservancy’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

In August 2021, the Conservancy was granted full forgiveness of the PPP loans totaling \$257,239.

The Conservancy has evaluated subsequent events through October 14, 2021, which is the date the financial statements were available to be issued.

### NOTE 3 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Conservancy’s financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are donor restricted assets for specific expenditures, contractual reserve requirements, or governing board designations. All financial assets are considered expendable within one year.

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 8,109,844	\$ 9,555,710
Rent receivable, net	857,883	1,087,320
Due from City of San Francisco	<u>20,000</u>	<u>566,354</u>
Financial Assets, at June 30	<u>\$ 8,987,727</u>	<u>\$ 11,209,384</u>

