



Reports of Independent Auditors and
Financial Statements with Federal Awards
Supplementary Information

Yerba Buena Gardens Conservancy

June 30, 2024 and 2023

Table of Contents

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6
Statements of Functional Expenses	8
Statements of Cash Flows	10
Notes to Financial Statements	11
Supplementary Information	
Schedule of Expenditures of Federal Awards	18
Notes to the Schedule of Expenditures of Federal Awards	19
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	22
Schedule of Findings and Questioned Costs	25

Report of Independent Auditors

The Board of Directors
Yerba Buena Gardens Conservancy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yerba Buena Gardens Conservancy (the Conservancy), which comprise the statements of financial position as of June 30, 2024 and 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Conservancy as of June 30, 2024 and 2023, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 the Conservancy 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 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 Conservancy's ability to continue as a going concern for 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 GAAS 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 GAAS 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 the Conservancy'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 Conservancy'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) 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 audit 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 schedule of expenditures of federal awards 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 December 2, 2024, on our consideration of the Conservancy'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 solely 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 the Conservancy'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 the Conservancy's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California
December 2, 2024

Financial Statements

Yerba Buena Gardens Conservancy
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 3,278,154	\$ 4,185,734
Certificate of deposit	4,500,119	4,088,696
Rent receivables, net	2,974,412	2,217,699
Due from City of San Francisco	321,009	239,626
Grant receivable	1,258,118	1,739,044
Prepaid expenses	30,970	16,263
Capital assets, net	149,855	131,771
Contributed right-of-use asset	133,333,020	136,920,455
Total assets	\$ 145,845,657	\$ 149,539,288
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 672,106	\$ 1,241,876
Accrued expenses	347,441	531,583
Deferred revenue	11,521	426,142
Total liabilities	1,031,068	2,199,601
NET ASSETS		
Without donor restrictions	10,223,451	8,472,489
With donor restrictions	134,591,138	138,867,198
Total net assets	144,814,589	147,339,687
Total liabilities and net assets	\$ 145,845,657	\$ 149,539,288

See accompanying notes.

Yerba Buena Gardens Conservancy
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	2024		Total
	Without donor restrictions	With donor restrictions	
SUPPORT AND REVENUE			
Rental income	\$ 9,511,875	\$ -	\$ 9,511,875
Event revenue	1,872,995	-	1,872,995
Contributions	296	49,998	50,294
Investment income	248,962	-	248,962
Other income	147,882	-	147,882
Net assets released from restriction	4,326,058	(4,326,058)	-
Total support and revenue	<u>16,108,068</u>	<u>(4,276,060)</u>	<u>11,832,008</u>
EXPENSES			
Program services	13,680,527	-	13,680,527
General and administrative	676,579	-	676,579
Total expenses	<u>14,357,106</u>	<u>-</u>	<u>14,357,106</u>
CHANGE IN NET ASSETS	1,750,962	(4,276,060)	(2,525,098)
NET ASSETS, beginning of year	<u>8,472,489</u>	<u>138,867,198</u>	<u>147,339,687</u>
NET ASSETS, end of year	<u>\$ 10,223,451</u>	<u>\$ 134,591,138</u>	<u>\$ 144,814,589</u>

See accompanying notes.

Yerba Buena Gardens Conservancy
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

	2023		Total
	Without donor restrictions	With donor restrictions	
SUPPORT AND REVENUE			
Rental income	\$ 9,121,546	\$ -	\$ 9,121,546
Event revenue	730,704	-	730,704
Contributions	103	193,227	193,330
Government grants	-	1,739,044	1,739,044
Investment income	144,209	-	144,209
Other income	15,700	-	15,700
Net assets released from restriction	3,606,315	(3,606,315)	-
Total support and revenue	<u>13,618,577</u>	<u>(1,674,044)</u>	<u>11,944,533</u>
EXPENSES			
Program services	12,207,479	-	12,207,479
General and administrative	1,207,016	-	1,207,016
Total expenses	<u>13,414,495</u>	<u>-</u>	<u>13,414,495</u>
CHANGE IN NET ASSETS	204,082	(1,674,044)	(1,469,962)
NET ASSETS, beginning of year	<u>8,268,407</u>	<u>140,541,242</u>	<u>148,809,649</u>
NET ASSETS, end of year	<u>\$ 8,472,489</u>	<u>\$ 138,867,198</u>	<u>\$ 147,339,687</u>

See accompanying notes.

Yerba Buena Gardens Conservancy
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services					Total	General and Administrative	Total
	Garden Operations	Capital Projects	Cultural Entities	City and County of San Francisco, Department of Real Estate Overhead	Other Programs			
EXPENSES								
Yerba Buena Center for the Arts	\$ -	\$ -	\$ 1,354,500	\$ -	\$ -	\$ 1,354,500	\$ -	\$ 1,354,500
Contracted services	2,801,397	-	-	-	3,557	2,804,954	-	2,804,954
Capital expenditures	11,629	2,237,381	-	-	-	2,249,010	-	2,249,010
Yerba Buena Children's Creativity Museum	-	-	480,000	-	-	480,000	-	480,000
Rent and utilities	4,001,411	-	-	-	-	4,001,411	-	4,001,411
Consulting fees	216,325	-	-	-	-	216,325	-	216,325
Salaries	866,374	255,240	-	-	-	1,121,614	407,253	1,528,867
Maintenance and repairs	448,436	-	-	-	1,214	449,650	-	449,650
Bad Debt Expense	-	-	-	-	-	-	55,576	55,576
Insurance	148,717	-	-	87,058	-	235,775	-	235,775
Yerba Buena Arts and Events	-	-	62,000	-	-	62,000	-	62,000
Taxes and benefits	289,358	91,738	-	97,015	-	478,111	187,718	665,829
Other expense	123,764	-	-	-	-	123,764	26,032	149,796
Carousel	-	-	-	-	24,708	24,708	-	24,708
Marketing and branding	78,705	-	-	-	-	78,705	-	78,705
Total expenses	\$ 8,986,116	\$ 2,584,359	\$ 1,896,500	\$ 184,073	\$ 29,479	\$ 13,680,527	\$ 676,579	\$ 14,357,106

See accompanying notes.

Yerba Buena Gardens Conservancy
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services					Total	General and Administrative	Total
	Garden Operations	Capital Projects	Cultural Entities	City and County of San Francisco, Department of Real Estate Overhead	Other Programs			
EXPENSES								
Yerba Buena Center for the Arts	\$ -	\$ -	\$ 1,370,000	\$ -	\$ -	\$ 1,370,000	\$ -	\$ 1,370,000
Contracted services	1,743,005	-	-	-	-	1,743,005	-	1,743,005
Capital expenditures	-	2,699,533	-	-	-	2,699,533	-	2,699,533
Yerba Buena Children's Creativity Museum	240,000	-	240,000	-	-	480,000	-	480,000
Rent and utilities	4,030,683	-	-	-	-	4,030,683	604	4,031,287
Consulting fees	145,764	-	-	-	-	145,764	20,635	166,399
Salaries	542,102	220,135	-	-	-	762,237	421,663	1,183,900
Maintenance and repair	168,449	-	-	-	-	168,449	-	168,449
Insurance	134,914	-	-	207,073	-	341,987	-	341,987
Yerba Buena Arts and Events	-	-	15,500	-	-	15,500	-	15,500
Taxes and benefits	182,353	65,225	-	80,434	-	328,012	93,725	421,737
Other expense	92,423	4,481	-	-	-	96,904	670,389	767,293
Carousel	-	-	-	-	-	-	-	-
Marketing and branding	25,405	-	-	-	-	25,405	-	25,405
Total expenses	\$ 7,305,098	\$ 2,989,374	\$ 1,625,500	\$ 287,507	\$ -	\$ 12,207,479	\$ 1,207,016	\$ 13,414,495

See accompanying notes.

Yerba Buena Gardens Conservancy
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (2,525,098)	\$ (1,469,962)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization of contributed right-of-use asset	3,587,435	3,587,435
Accrued interest on certificates of deposit	(211,423)	(88,696)
Depreciation	25,135	7,253
Write-off of receivable	55,576	-
Changes in operating assets and liabilities:		
Rent receivable	(756,713)	(839,120)
Grant receivable	425,350	(1,739,044)
Due from City and County of San Francisco	(81,383)	(45,999)
Prepaid expenses	(14,707)	(5,906)
Accounts payable	(569,770)	1,213,137
Accrued expenses	(184,142)	224,228
Deferred revenue	(414,621)	(377,897)
Net cash (used in) provided by operating activities	(664,361)	465,429
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(43,219)	(114,772)
Proceeds from maturities of certificates of deposit	4,000,000	-
Purchases of certificates of deposit	(4,200,000)	(4,000,000)
Net cash used in investing activities	(243,219)	(4,114,772)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(907,580)	(3,649,343)
CASH AND CASH EQUIVALENTS, beginning of year	4,185,734	7,835,077
CASH AND CASH EQUIVALENTS, end of year	\$ 3,278,154	\$ 4,185,734
SUPPLEMENTAL CASH-FLOW DISCLOSURES		
Cash paid for taxes	\$ -	\$ 88,701

See accompanying notes.

Yerba Buena Gardens Conservancy

Notes to Financial Statements

Note 1 – Description of Organization

Yerba Buena Gardens Conservancy (Yerba Buena Gardens, or 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 5 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, 2024 and 2023.

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.

Certificates of deposit – The Conservancy's certificates of deposit are valued using maturity and interest rates as observable inputs.

Yerba Buena Gardens Conservancy

Notes to Financial Statements

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, 2024 and 2023, the allowance for uncollectible receivables was \$66,377.

Grants receivables – Receivables are stated at the amount management expects to collect from outstanding balances after reserves for discounts, bad debts, and allowances, taking into account past experience, contracts, history, and individuals' and organizations' ability to meet their obligations. Management fully expects to collect all grants receivable; therefore, no allowance for doubtful accounts is recorded as of June 30, 2024 and 2023.

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. 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, 2024 and 2023, \$3,587,437 has been recorded as rent expense and released from restriction.

Capital assets – The Conservancy capitalizes acquisitions of capital assets with a cost or value in excess of \$3,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Once placed into service, leasehold improvements are depreciated over the shorter of five years or the lease term. Furniture and fixtures are depreciated over five years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Long-lived assets – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset (before interest). If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less disposal costs. Fair value is based on appraisals or other reasonable methods to estimate fair value. The Conservancy did not record any impairment for the years ended June 30, 2024 and 2023.

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

Deferred revenue – Deferred revenue at June 30, 2023, primarily represented a \$400,000 deposit received for a construction project. The project was completed during the year ended June 30, 2024, and the related revenue was recognized.

Yerba Buena Gardens Conservancy

Notes to Financial Statements

Revenue recognition – Contributions and grants are recognized at fair value as revenue when received or unconditionally promised and collection is deemed reasonably certain.

The Conservancy reports contributions and grants as with donor restrictions support if such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction exists, the Conservancy accounts for the contribution or grant as net assets with donor restrictions. When the restriction expires (when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

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, 2024 and 2023, there were 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 and certificates of deposit. The Conservancy maintains its cash in various deposit accounts, which at times may exceed Federal Deposit Insurance Corporation (FDIC) thresholds. Additionally, the Conservancy's certificates of deposit accounts may at times exceed Security Protection Investment Corporation (SPIC) limits. 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, 2024, 73% of rent receivable was due from one tenant. As of June 30, 2023, 99% of rent receivable was due from two tenants.

Contingencies – From time to time, the Conservancy may become involved in various litigation and administrative proceedings relating to claims arising from its operations in the normal course of business. Management is not currently aware of any matters that may have a material adverse impact on the Conservancy's business, financial position, changes in net assets, or cash flows.

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.

Yerba Buena Gardens Conservancy

Notes to Financial Statements

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 it 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 could 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, 2024 and 2023, 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.

New accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires the use of an expected loss model on certain types of financial instruments. ASU 2016-13 also sets forth a current expected credit loss model which requires the Conservancy to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets. The adoption of ASU 2016-13 was effective for the Conservancy beginning July 1, 2023, at which time the standard was adopted. The adoption of ASU 2016-13 did not have a material impact on the Conservancy's 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.

The Conservancy has evaluated subsequent events through December 2, 2024, which is the date the financial statements were available to be issued.

Yerba Buena Gardens Conservancy

Notes to Financial Statements

Note 3 – Liquidity and Funds Available

The following table reflects the Conservancy’s financial assets as of June 30, 2024 and 2023, 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 nonliquid assets are donor-restricted assets for specific expenditures, contractual reserve requirements, or governing board designations. All financial assets are considered expendable within one year.

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 3,278,154	\$ 4,185,734
Certificate of deposit	4,500,119	4,088,696
Rent receivables, net	2,974,412	2,217,699
Due from City of San Francisco	321,009	239,626
Grant receivable	1,258,118	1,739,044
Financial assets, at June 30	<u>\$ 12,331,812</u>	<u>\$ 12,470,799</u>

Note 4 – Fair Value Measurements

The Conservancy’s financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset’s or a liability’s classification is based on the lowest level input that is significant to its measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Conservancy’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following is a description of the valuation methodology used for assets measured at fair value. There had been no change in the valuation methodologies during the years ended June 30, 2024 and 2023.

Certificates of deposit – The fair value is based on maturity and interest rates as observable inputs. These securities are classified within Level 2 of the fair value hierarchy.

Yerba Buena Gardens Conservancy

Notes to Financial Statements

The following table provides information about the Conservancy's financial assets measured at fair value on a recurring basis as of June 30, 2024 and 2023.

	2024			Total
	Level 1	Level 2	Level 3	
Certificate of deposit	\$ -	\$ 4,500,119	\$ -	\$ 4,500,119
	2023			
	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ -	\$ 4,088,696	\$ -	\$ 4,088,696

Note 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 may be expended for:

	2024	2023
Contributed right-of-use asset	\$ 133,333,020	\$ 136,920,455
Perimeter Landscape Dog Park	-	207,699
Time restriction - government grant	1,258,118	1,739,044
Total	\$ 134,591,138	\$ 138,867,198

Note 6 – Net Assets Released from Restrictions

Net assets released from donor restrictions during the years ended June 30 were as follows:

	2024	2023
Contributed right-of-use asset	\$ 3,587,437	\$ 3,587,437
Perimeter Landscape Dog Park	207,697	18,878
Avenue Greenlight	49,998	-
Time restriction - government grant	480,926	-
Total	\$ 4,326,058	\$ 3,606,315

Supplementary Information

Yerba Buena Gardens Conservancy
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through/ Program Number	Federal Expenditures
U.S. Department of Housing and Urban Development Pass Through City and County of San Francisco Mayor's Office of Housing CDBG - Entitlement/Special Purpose Grants Cluster Community Development Block Grants/Entitlement Grants	14.218	N/A	<u>\$ 9,925,654</u>
Total U.S. Department of Housing and Urban Development			<u>9,925,654</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,925,654</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

Yerba Buena Gardens Conservancy

Notes to the Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Yerba Buena Gardens Conservancy (the Conservancy) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the cost principles contained in 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 the Conservancy, it is not intended to, and does not, present the financial position, changes in net assets, functional expenses or cash flows of the Conservancy.

Note 2 – Summary of Significant Accounting Principles

Expenditures reported in 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. The Conservancy recognizes grants to the extent that eligible grant costs are incurred. The Conservancy has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Subrecipients

The Conservancy did not provide federal awards to subrecipients during the year ended June 30, 2024.

Note 4 – Use of Program Income

During the year ended June 30, 2024, the Conservancy did not receive direct funding for the Community Development Block Grant/Entitlement Grants Program (Federal Assistance Listing Number 14.218). Program expenditures represent use of program income generated from programs funded by the Community Development Block Grant/Entitlement Grants Program.

Report of Independent Auditors 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*

The Board of Directors
Yerba Buena Gardens Conservancy

We have audited, in accordance with the 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 Gardens Conservancy (the Conservancy), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, 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 December 2, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Conservancy'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 Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Conservancy'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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Conservancy'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 entity'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 Conservancy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California
December 2, 2024

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Yerba Buena Gardens Conservancy

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Yerba Buena Gardens Conservancy's (the Conservancy) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Conservancy's major federal program for the year ended June 30, 2024. The Conservancy's major federal program is identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Conservancy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the Conservancy 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 the major federal program. Our audit does not provide a legal determination of the Conservancy'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 the Conservancy's federal program.

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 the Conservancy'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 GAAS, *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 the Conservancy's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Conservancy'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 the Conservancy'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 the Conservancy'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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California
December 2, 2024

**Yerba Buena Gardens Conservancy
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over the major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal program and type of auditor’s report issued on compliance for major federal program:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program</i>	<i>Type of Auditor’s Report Issued on Compliance for the Major Federal Program</i>
14.218	CDBG – Entitlement Grants Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low risk auditee?

Yes No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.