



Report of Independent Auditors and
Financial Statements

**Yerba Buena Community Benefit District
DBA Yerba Buena Partnership**

June 30, 2026 and 2025

Table of Contents

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

Report of Independent Auditors

The Board of Directors
Yerba Buena Community Benefit District DBA Yerba Buena Partnership

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yerba Buena Community Benefit District DBA Yerba Buena Partnership (YBCBD), which comprise the statements of financial position as of June 30, 2026 and 2025, 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 YBCBD as of June 30, 2026 and 2025, 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). 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 YBCBD 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 YBCBD's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 YBCBD'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 YBCBD'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
September 28, 2026

Financial Statements

Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Statements of Financial Position
June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,959,449	\$ 2,232,180
Certificates of deposit	7,750,887	4,609,648
Prepaid expenses	<u>100,968</u>	<u>75,589</u>
Total current assets	9,811,304	6,917,417
Certificates of deposit	-	733,000
Capital assets, net	222,765	250,077
Operating right-of-use asset	<u>253,646</u>	<u>302,976</u>
Total assets	<u><u>\$ 10,287,715</u></u>	<u><u>\$ 8,203,470</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,089,881	\$ 1,750,305
Grants payable	53,900	46,813
Accrued vacation	54,606	41,876
Deferred revenue	2,626,130	656,705
Operating right-of-use liability	<u>56,070</u>	<u>55,008</u>
Total current liabilities	3,880,587	2,550,707
Operating right-of-use liability	<u>203,946</u>	<u>248,654</u>
Total liabilities	<u><u>4,084,533</u></u>	<u><u>2,799,361</u></u>
NET ASSETS		
Without donor restrictions	<u>6,203,182</u>	<u>5,404,109</u>
Total net assets	<u><u>6,203,182</u></u>	<u><u>5,404,109</u></u>
Total liabilities and net assets	<u><u>\$ 10,287,715</u></u>	<u><u>\$ 8,203,470</u></u>

See accompanying notes.

Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2026 and 2025

	2026	2025
SUPPORT AND REVENUE		
Assessment revenue	\$ 3,662,069	\$ 3,602,089
Contributions	54,300	-
In-kind goods and services	105,670	105,831
Government grants	4,135,609	1,202,793
Investment income, net	206,898	179,782
Other income	152,569	79,407
	<u>8,317,115</u>	<u>5,169,902</u>
EXPENSES		
Program services	6,955,195	3,887,611
Supporting services		
Management and operations	478,855	548,873
Fundraising	83,992	165,054
	<u>7,518,042</u>	<u>4,601,538</u>
CHANGES IN NET ASSETS	799,073	568,364
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	<u>5,404,109</u>	<u>4,835,745</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	<u><u>\$ 6,203,182</u></u>	<u><u>\$ 5,404,109</u></u>

See accompanying notes.

**Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Statement of Functional Expenses
Year Ended June 30, 2026**

	Program Services				Supporting Services		
	Cleaning and Streetscape Improvements	Safety and Security	Branding, Activation, and Marketing	Total	Management and Operations	Fundraising	Total
EXPENSES							
Cleaning contract	\$ 1,326,916	\$ -	\$ -	\$ 1,326,916	\$ 7,200	\$ -	\$ 1,334,116
Community guides	-	2,387,394	-	2,387,394	-	-	2,387,394
Salaries and benefits	243,458	280,284	317,139	840,881	116,195	73,316	1,030,392
Public safety	-	907,355	-	907,355	-	-	907,355
Consulting fees	182,064	3,045	2,380	187,489	129,678	-	317,167
Grants	75,177	-	447,013	522,190	-	-	522,190
Other expenses	22,405	7,070	60,350	89,825	74,858	7,272	171,955
Greening expenses	51,212	-	-	51,212	-	-	51,212
In-kind goods and services	105,670	-	-	105,670	-	-	105,670
Marketing, branding, and printing	26,630	1,885	131,082	159,597	1,721	-	161,318
Rent and utilities	16,633	21,818	7,248	45,699	22,443	-	68,142
Depreciation and amortization	-	-	-	-	75,760	-	75,760
Events	896	1,578	322,519	324,993	5,460	2,801	333,254
Bad debt expense	-	-	-	-	22,868	-	22,868
Office supplies and postage	2,477	2,505	966	5,948	15,591	-	21,539
Travel	-	-	26	26	2,500	603	3,129
Taxes	-	-	-	-	4,581	-	4,581
Total expenses	<u>\$ 2,053,538</u>	<u>\$ 3,612,934</u>	<u>\$ 1,288,723</u>	<u>\$ 6,955,195</u>	<u>\$ 478,855</u>	<u>\$ 83,992</u>	<u>\$ 7,518,042</u>

**Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Statement of Functional Expenses
Year Ended June 30, 2025**

	Program Services				Supporting Services		
	Cleaning and Streetscape Improvements	Safety and Security	Branding, Activation, and Marketing	Total	Management and Operations	Fundraising	Total
EXPENSES							
Cleaning contract	\$ 1,128,332	\$ -	\$ -	\$ 1,128,332	\$ 3,600	\$ -	\$ 1,131,932
Community guides	-	789,559	-	789,559	-	-	789,559
Salaries and benefits	169,345	166,466	185,320	521,131	202,870	51,019	775,020
Public safety	-	577,588	-	577,588	-	-	577,588
Consulting fees	196,875	-	-	196,875	127,242	-	324,117
Grants	17,500	-	170,313	187,813	-	-	187,813
Other expenses	61,297	13,610	78,973	153,880	57,542	5,015	216,437
Greening expenses	28,115	400	14,763	43,278	-	-	43,278
In-kind goods and services	-	-	-	-	-	105,831	105,831
Marketing, branding, and printing	729	1,331	148,871	150,931	22	-	150,953
Rent and utilities	11,924	11,147	4,198	27,269	13,280	1,924	42,473
Depreciation and amortization	-	-	-	-	69,573	-	69,573
Events	-	-	104,326	104,326	1,687	1,182	107,195
Bad debt expense	-	-	-	-	32,390	-	32,390
Office supplies and postage	906	990	3,355	5,251	19,210	8	24,469
Travel	-	-	1,378	1,378	5,416	75	6,869
Taxes	-	-	-	-	15,720	-	15,720
Uniforms	-	-	-	-	321	-	321
Total expenses	<u>\$ 1,615,023</u>	<u>\$ 1,561,091</u>	<u>\$ 711,497</u>	<u>\$ 3,887,611</u>	<u>\$ 548,873</u>	<u>\$ 165,054</u>	<u>\$ 4,601,538</u>
check (per SOA)				-	-	-	-

See accompanying notes.

Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 799,073	\$ 568,364
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Unrealized loss on certificates of deposit	13,733	1,648
Depreciation and amortization	75,760	69,573
Loss on disposal of capital assets	-	959
Noncash lease expense	5,684	(4,940)
Changes in operating assets and liabilities		
Assessments receivable	-	12,381
Prepaid expenses	(25,379)	(42,587)
Accounts payable and accrued expenses	(660,424)	1,562,008
Grants payable	7,087	-
Accrued vacation	12,730	6,917
Deferred revenue	1,969,425	656,705
Net cash provided by operating activities	<u>2,197,689</u>	<u>2,831,028</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(7,031,620)	(8,283,216)
Proceeds on maturity of certificates of deposit	4,609,648	7,223,821
Purchase of capital assets	(48,448)	(191,308)
Cash received from sale of assets	<u>-</u>	<u>214,600</u>
Net cash used in investing activities	<u>(2,470,420)</u>	<u>(1,036,103)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	(272,731)	1,794,925
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,232,180</u>	<u>437,255</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,959,449</u>	<u>\$ 2,232,180</u>

See accompanying notes.

Yerba Buena Community Benefit District

DBA Yerba Buena Partnership

Notes to Financial Statements

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Organization and nature of activities – Yerba Buena Community Benefit District DBA Yerba Buena Partnership (YBCBD) was formed in 2008 by property owners to improve the quality of life in the Yerba Buena neighborhood (Yerba Buena Neighborhood) by making the area cleaner, safer, and more vibrant. YBCBD has a contract with the City and County of San Francisco (the City) for a term of 15 years, expiring on June 30, 2030. YBCBD stretches from about Second Street to Fifth Street and Market Street to Harrison Street in San Francisco, California.

YBCBD exists to implement programs to create a neighborhood that is safer, cleaner, greener and a better place to conduct business and live. These programs and services are funded by district property owners in Yerba Buena Neighborhood.

YBCBD's mission statement is as follows:

YBCBD will advance the quality of life for residents and visitors in Yerba Buena Neighborhood and San Francisco on an ongoing basis by fostering a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of our economic base. Programs and services provided by YBCBD include:

- **Clean and Safe Team** – The Yerba Buena Clean and Safe Team sweeps and steam-cleans sidewalks, removes graffiti, picks up litter, and responds to immediate neighborhood cleaning needs. They monitor public areas and report safety issues. In addition to existing police services, the Yerba Buena Partnership engages a San Francisco Police Department Officer to improve pedestrian and overall safety, and address quality of life issues.
- **Public Spaces Improvements** – Public spaces programs – large and small – improve public spaces with greening programs, artful bike racks, seating, alley designs, public art, and more. The Yerba Buena Street Life Plan, a road map developed by the community and Yerba Buena Partnership, guides public realm improvements.
- **Branding, Marketing, and Activations** – YBCBD promotes community events and extends the visibility of cultural organizations and businesses through marketing efforts such as targeted email campaigns, social media, posters, street banners, and more to support Yerba Buena Neighborhood's economic goals.
- **Community Benefit Fund** – As part of YBCBD's commitment to improving Yerba Buena, YBCBD awards grants to the community through YBCBD's Community Benefit Fund. This fund, which is unique among community benefit districts in San Francisco, provides grants to nonprofits that support public art and projects, activities, exhibits, and events that reinvigorate the Yerba Buena Neighborhood and create welcoming opportunities for residents, employees, and visitors.
- **Economic Development** – YBCBD strengthens Yerba Buena Neighborhood's economy through small business support, leasing connections, convention advocacy, attracting visitors, and filling vacant retail spaces.

Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Notes to Financial Statements

Basis of accounting – YBCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

Classification of net assets – U.S. GAAP requires that YBCBD report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Accordingly, the net assets of YBCBD are classified and reported as described below:

Without donor restrictions – Those net assets and activities that represent the portion of expendable funds that are available to support YBCBD's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes. Board-designated net assets were \$4,826,645 and \$4,761,206 as of June 30, 2026 and 2025, respectively.

With donor restrictions – Those net assets and activities that are donor restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets. Those also include (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold, or (b) assets donated with stipulations that they be invested to provide a permanent source of income. For the years ended June 30, 2026 and 2025, there were no net assets with donor restrictions.

Cash and cash equivalents – YBCBD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

Prepaid expenses – YBCBD capitalizes amounts paid in advance that relate to a future benefit period. The amounts are amortized over the benefit period.

Capital assets – YBCBD capitalizes acquisitions of capital assets with a cost or value in excess of \$5,000 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. Depreciation on furniture and equipment and public art is calculated using the straight-line method based upon estimated useful lives ranging from three to ten years. Website development costs are amortized using the straight-line method over three years. Leasehold improvements are amortized over the shorter of the estimated useful life of the improvement or the applicable lease term. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statements of activities and changes in net assets.

**Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Notes to Financial Statements**

Impairment of long-lived assets – Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisal, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. No impairment losses were incurred during the years ended June 30, 2026 and 2025.

Accrued vacation – Full-time employees may accrue up to 13.33 hours per month depending on the number of years employed. Part-time employees accrue vacation on a prorated basis. Employees can accrue a maximum of 240 vacation hours. Accrued vacation as of June 30, 2026 and 2025, was \$54,606 and \$41,876, respectively.

Assessment revenue – YBCBD receives its support primarily from a special assessment levied by the City on properties located within the Yerba Buena Neighborhood in accordance with City Ordinance. The assessment is recorded by YBCBD when assessed by the City. The City remits the assessments to YBCBD as the assessments are collected from the property owners. Interest is not charged on late assessments; however late penalties are charged in accordance with the City's policy.

Contributions – YBCBD recognizes all contributions when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as support under net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as support under net assets with donor restrictions. There were no conditional contributions as of June 30, 2026 and 2025.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statements of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

In-kind goods and services – YBCBD records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the years ended June 30, 2026 and 2025, the YBCBD received contributed goods and services in the amounts of \$105,670 and \$105,831, respectively.

Government grants – Government grants consist of grants from the federal and local government. Government grants and contracts are considered conditional until the conditions in which they depend upon have been met. Grant funding received in advance on cost reimbursement contracts are recognized as deferred revenue until revenue is earned. Revenue is considered earned when the related expenses are incurred. As of June 30, 2026 and 2025, deferred revenue was \$2,626,130 and \$656,705, respectively.

**Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Notes to Financial Statements**

Advertising – The costs of advertising are charged to expense as incurred. Advertising expense for the years ended June 30, 2026 and 2025, was \$4,085 and \$52,212, respectively.

Grants – Grants are recognized when approved by the Board of Directors, provided the grant is not subject to conditions. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. As of June 30, 2026 and 2025, there were conditional grants of \$0 and \$12,188, respectively.

YBCBD discounts grants payable that are to be paid greater than one year from the statement of financial position date. As of June 30, 2026 and 2025, all grants payable were expected to be paid within one year, and, therefore, no discount has been recorded.

Income taxes – YBCBD 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.

YBCBD recognizes a threshold and measurement attribute for 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 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. YBCBD's evaluation on June 30, 2026 and 2025, revealed no tax positions that would have a material impact on the financial statements.

YBCBD'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.

Leases – YBCBD recognizes assets and liabilities arising from leases with terms longer than 12 months on the statements of financial position. Leases are classified as either operating or finance, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets.

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

Functional allocation of expenses – The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management. Personnel costs are allocated based on estimated time worked in each program area, or on fundraising or administrative tasks. Other shared costs, such as rent and utilities, are based on estimated full time equivalents assigned to each area.

Yerba Buena Community Benefit District

DBA Yerba Buena Partnership

Notes to Financial Statements

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. YBCBD 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. YBCBD'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 were available to be issued.

YBCBD has evaluated subsequent events through September 28, 2026, which is the date the financial statements were available to be issued.

Note 2 – Fair Value Measurements

YBCBD'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 assets 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 YBCBD'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 has been no change in the valuation methodologies during the years ended June 30, 2026 and 2025.

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 Community Benefit District
DBA Yerba Buena Partnership
Notes to Financial Statements

The following tables provide information about YBCBD's financial assets measured at fair value on a recurring basis as of June 30:

	2026			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 7,750,887	\$ -	\$ 7,750,887

	2025			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 5,342,648	\$ -	\$ 5,342,648

Note 3 – Capital Assets, Net

Capital assets, net at June 30 consisted of the following:

	2026	2025
Public art	\$ 352,447	\$ 352,447
Website development	26,000	26,000
Street furniture	40,424	40,424
Furniture and equipment	261,692	213,244
Leasehold improvement	1,870	1,870
	682,433	633,985
Less accumulated depreciation	(459,668)	(383,908)
Total capital assets	\$ 222,765	\$ 250,077

**Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Notes to Financial Statements**

Note 4 – Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 consisted of the following:

	2026	2025
Board-designated		
Cleaning and streetscape improvements	\$ 3,300,559	\$ 3,165,492
Management and operations	1,322,510	1,344,987
Branding, activation, and marketing	213,576	250,727
Total board-designated	4,836,645	4,761,206
Invested in capital assets	222,765	250,077
Undesignated	1,117,393	392,826
Total	<u>\$ 6,176,803</u>	<u>\$ 5,404,109</u>

Note 5 – Grants

YBCBD distributes annual grants called Community Benefit Fund grants to community organizations providing services, within the district, that support the improvements and activities of Yerba Buena. Grant expense for the years ended June 30, 2026 and 2025, was \$522,190 and \$187,813, respectively. As of June 30, 2026 and 2025, grants payable were \$53,900 and \$46,813, respectively, and were scheduled to be paid within one year.

Note 6 – Retirement Plan

YBCBD established a defined contribution retirement plan (the Plan) for employees. Eligible employees may make voluntary contributions by salary reduction to the Plan, up to the limit allowed by IRC regulations. The YBCBD will make an employer match of up to 5% of voluntary contributions. For the years ended June 30, 2026 and 2025, employer contributions were \$39,143 and \$18,709, respectively.

Note 7 – Commitments

Leases – Transactions give rise to leases when YBCBD receives substantially all of the economic benefits from, and has the ability to direct, the use of and control the specified property, plant, and equipment. YBCBD primarily has lessee activity that is classified as operating leases. Operating leases are included in operating right-of-use asset and operating lease liability in the statements of financial position and were \$253,646 and \$260,016, respectively at June 30, 2026. The operating right-of-use asset and operating right-of-use liability were \$302,976 and \$303,662, respectively at June 30, 2025.

**Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Notes to Financial Statements**

Right-of-use assets represents the right to use an underlying asset for the lease term, and lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, YBCBD uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

YBCBD has an operating lease agreement for office space in San Francisco, California, and an operating lease for copier equipment. Future minimum lease payments under the operating leases are as follows:

Years Ending June 30,

2027	\$ 56,070
2028	62,138
2029	62,863
2030	62,655
Thereafter	<u>42,323</u>
Total lease payments	286,049
Less present value discount	<u>(26,033)</u>
Lease liability	<u><u>\$ 260,016</u></u>

Lease Term and Discount Rate

Weighted average remaining lease term	5 years
Weighted average discount rate	4%

Rent expense for the years ended June 30, 2026 and 2025, was \$59,728 and \$34,712, respectively.

Note 8 – Related-Party Transactions

Members of the Board are associated with organizations that received Community Benefit Fund grants from YBCBD. Pursuant to YBCBD's conflict of interest policy, all conflicted YBCBD Board members refrain from the decision-making process and abstain from the voting process.

YBCBD has a written conflict of interest policy that requires, among other things, that no member of the Board can participate in any decision in which the member (or an immediate family member) has a material financial interest. Each Board member is required to certify compliance with the conflict-of-interest policy on an annual basis and indicate whether YBCBD does business with an entity in which a Board member has a material financial interest. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of YBCBD.

**Yerba Buena Community Benefit District
DBA Yerba Buena Partnership
Notes to Financial Statements**

Note 9 – Liquidity and Funds Available

The following table reflects YBCBD's financial assets as of June 30:

	<u>2026</u>	<u>2025</u>
Financial assets		
Cash and cash equivalents	\$ 1,959,449	\$ 2,232,180
Certificates of deposit	<u>7,750,887</u>	<u>5,342,648</u>
Less amounts not available for expenditure in one year		
Funds received for government projects	(2,626,130)	(656,705)
Certificates of deposit maturing in greater than one year	<u>-</u>	<u>(733,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 7,084,206</u>	<u>\$ 6,185,123</u>

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. YBCBD derives approximately 57% of its annual budget from assessment payments from property owners. The target minimum funds available in reserve for YBCBD is eight months of average operating costs. The calculation of average monthly operating costs is based on YBCBD's annual budget. Board-designated net assets cover most of the general expenditures of YBCBD within a year.

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