

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

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Years Ended
June 30, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the Yerba Buena Center for the Arts (a California nonprofit public benefit corporation) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Yerba Buena Center for the Arts's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Yerba Buena Center for the Arts as of June 30, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the Yerba Buena Center for the Arts. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 3, 2010

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 5,165,278	\$ 3,743,367
Contributions, grants and contracts receivable, current portion, net of allowance for doubtful accounts of \$18,737 at 2010 and \$42,476 at 2009 (Note 1)	480,903	1,090,221
Other receivables	31,321	30,450
Prepaid expenses	185,203	90,101
Deposits	4,124	26,717
Total current assets	<u>5,866,829</u>	<u>4,980,856</u>
Contributions, grants and contracts receivable, net of current portion and allowances for doubtful accounts and present value discount of \$386,624 at 2010 and \$491,305 at 2009 (Note 1)	<u>1,522,468</u>	<u>1,740,514</u>
Long-term investments:		
Cash and cash equivalents (Note 1)	471,096	241,744
Marketable equity securities (Notes 1 and 3)	3,119,952	3,090,414
Total long-term investments	<u>3,591,048</u>	<u>3,332,158</u>
Fixtures and equipment, net of accumulated depreciation of \$1,223,043 at 2010 and \$1,277,190 at 2009 (Notes 1 and 4)	<u>510,729</u>	<u>317,345</u>
Total assets	<u>\$ 11,491,074</u>	<u>\$ 10,370,873</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,811,673	\$ 957,072
Deposits and refundable advances (Note 1)	592,936	150,515
Other deferred income	37,500	1,676,869
Total liabilities	<u>3,442,109</u>	<u>2,784,456</u>
Net assets:		
Unrestricted net assets	2,163,938	984,470
Temporarily restricted net assets (Note 6)	4,023,812	4,740,732
Permanently restricted net assets (Note 7)	1,861,215	1,861,215
Total net assets	<u>8,048,965</u>	<u>7,586,417</u>
Total liabilities and net assets	<u>\$ 11,491,074</u>	<u>\$ 10,370,873</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF ACTIVITIES
For the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT AND TRANSFERS				
Support from San Francisco				
Redevelopment Agency (Note 2)	\$ 3,391,927	\$ 163,073	\$ -	\$ 3,555,000
Contributions	885,686	214,936	-	1,100,622
Box office ticket sales				
and gallery admissions	298,064	-	-	298,064
Subsidized community programs	916,960	-	-	916,960
Commercial rentals	2,492,589	-	-	2,492,589
Raffle ticket sales	7,846,169	-	-	7,846,169
Naming revenue	-	101,831	-	101,831
Investment income (Note 3)	157,735	1,522	-	159,257
Investment income (endowment) (Note 3)	187,888	-	-	187,888
Box office service charges	108,455	-	-	108,455
Marketing and advertising sales	74,727	-	-	74,727
Traveling exhibition fees	40,000	-	-	40,000
Other income	39,159	-	-	39,159
Net assets released				
from restriction (Note 6)	<u>1,198,282</u>	<u>(1,198,282)</u>	<u>-</u>	<u>-</u>
 Total revenue, support and transfers	 <u>17,637,641</u>	 <u>(716,920)</u>	 <u>-</u>	 <u>16,920,721</u>
EXPENSES				
Program services:				
Performing arts	1,582,404	-	-	1,582,404
Visual arts	2,212,278	-	-	2,212,278
Film/video	515,070	-	-	515,070
Community engagement	793,127	-	-	793,127
Subsidized community programs	1,409,855	-	-	1,409,855
Commercial rentals	1,797,159	-	-	1,797,159
Total program services	<u>8,309,893</u>	<u>-</u>	<u>-</u>	<u>8,309,893</u>
Support services:				
General administration				
& operations	1,003,681	-	-	1,003,681
Fundraising:				
General fundraising	775,265	-	-	775,265
Dream House raffle	6,369,334	-	-	6,369,334
Total supporting services	<u>8,148,280</u>	<u>-</u>	<u>-</u>	<u>8,148,280</u>
 Total expenses	 <u>16,458,173</u>	 <u>-</u>	 <u>-</u>	 <u>16,458,173</u>
Change in net assets	1,179,468	(716,920)	-	462,548
Net assets, beginning of year	<u>984,470</u>	<u>4,740,732</u>	<u>1,861,215</u>	<u>7,586,417</u>
Net assets, end of year	<u>\$ 2,163,938</u>	<u>\$ 4,023,812</u>	<u>\$ 1,861,215</u>	<u>\$ 8,048,965</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF ACTIVITIES (CONTINUED)
For the year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT AND TRANSFERS				
Support from San Francisco				
Redevelopment Agency (Note 2)	\$ 3,391,927	\$ 163,073	\$ -	\$ 3,555,000
Contributions	924,970	136,850	-	1,061,820
Box office ticket sales and gallery admissions	311,403	-	-	311,403
Subsidized community programs	797,264	-	-	797,264
Commercial rentals	984,243	-	-	984,243
Special events	278,800	-	-	278,800
Raffle ticket sales	2,952,631	-	-	2,952,631
Naming revenue	-	111,273	-	111,273
Investment income/(loss) (Note 3)	(155,404)	(3,795)	-	(159,199)
Investment income/(loss) (endowment) (Note 3)	(191,389)	(6,421)	-	(197,810)
Box office service charges	99,869	-	-	99,869
Marketing and advertising sales	99,134	-	-	99,134
Traveling exhibition fees	58,182	-	-	58,182
Other income	19,456	-	-	19,456
Net assets released from restriction (Note 6)	<u>1,120,139</u>	<u>(1,120,139)</u>	<u>-</u>	<u>-</u>
Total revenue, support and transfers	<u>10,691,225</u>	<u>(719,159)</u>	<u>-</u>	<u>9,972,066</u>
EXPENSES				
Program services:				
Performing arts	1,539,432	-	-	1,539,432
Visual arts	2,046,104	-	-	2,046,104
Film/video	425,258	-	-	425,258
Community engagement	790,803	-	-	790,803
Subsidized community programs	1,419,186	-	-	1,419,186
Commercial rentals	930,948	-	-	930,948
Total program services	<u>7,151,731</u>	<u>-</u>	<u>-</u>	<u>7,151,731</u>
Support services:				
General administration & operations:				
General and administration	523,469	-	-	523,469
Facilities	504,973	-	-	504,973
Fundraising:				
General fundraising	1,211,608	-	-	1,211,608
Dream House raffle	1,958,329	-	-	1,958,329
Total supporting services	<u>4,198,379</u>	<u>-</u>	<u>-</u>	<u>4,198,379</u>
Total expenses	<u>11,350,110</u>	<u>-</u>	<u>-</u>	<u>11,350,110</u>
Change in net assets	(658,885)	(719,159)	-	(1,378,044)
Net assets, beginning of year	<u>1,643,355</u>	<u>5,459,891</u>	<u>1,861,215</u>	<u>8,964,461</u>
Net assets, end of year	<u>\$ 984,470</u>	<u>\$ 4,740,732</u>	<u>\$ 1,861,215</u>	<u>\$ 7,586,417</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 462,548</u>	<u>\$ (1,378,044)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	137,551	118,244
Loss on disposal of assets	5,580	-
Net realized/unrealized (gain) loss on investments	(256,037)	494,116
Change in allowance for doubtful accounts	(23,739)	20,768
Change in discount on long-term contracts and promises to give	(104,681)	(136,723)
Changes in assets and liabilities:		
Contributions, grants and contracts receivable	955,784	118,917
Other receivables	(871)	(3,353)
Accrued interest receivable	(2,554)	3,373
Prepaid expenses and deposits	(72,509)	153,112
Accounts payable, accrued expenses and other deferred income	215,232	2,080,474
Refundable advances	<u>442,421</u>	<u>(118,459)</u>
Total adjustments	<u>1,296,177</u>	<u>2,730,469</u>
Net cash provided by operating activities	<u>1,758,725</u>	<u>1,352,425</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,853,816)	(1,210,058)
Proceeds from sales and maturities of investments	2,082,869	1,118,165
Increase (decrease) in long-term cash and cash equivalents	(229,352)	85,003
Purchase of fixtures and equipment	<u>(336,515)</u>	<u>(99,400)</u>
Net cash used by investing activities	<u>(336,814)</u>	<u>(106,290)</u>
Net increase in cash and cash equivalents	1,421,911	1,246,135
Cash and cash equivalents, beginning of year	<u>3,743,367</u>	<u>2,497,232</u>
Cash and cash equivalents, end of year	<u>\$ 5,165,278</u>	<u>\$ 3,743,367</u>

The accompanying notes are an integral part of these financial statements.

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

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Yerba Buena Center for the Arts (YBCA) is an independent nonprofit arts institution, created and built by the San Francisco Redevelopment Agency (SFRA). Comprising two landmark buildings – the Galleries and Forum, designed by Japanese architect Fumihiko Maki, and the Theater, designed by American architect James Stewart Polshek – YBCA opened in October 1993 and anchors the dynamic Yerba Buena Cultural District in downtown San Francisco.

As a 501(c)(3) nonprofit organization, YBCA is contracted by the SFRA to create and sustain a program of art and artists in a manner that establishes YBCA as a serious cultural institution within a first class, mixed use, downtown urban complex. To that end, YBCA presents contemporary art from the Bay Area and around the world that reflects the profound issues and ideas of our time, expands the boundaries of artistic practice, and celebrates the diversity of human experience and expression. YBCA works continuously to break new ground with its programs in visual art, performance and film/video, and to connect those programs to a broad cross section of the community.

In addition to its funding from the SFRA, YBCA receives support from public and private foundations, corporations and individuals. It also earns revenue through ticket sales, gallery admissions, facilities rental and other revenue generating programs.

YBCA is committed to innovation in its practices, exceptional diversity in the range of art presented and the engagement of audiences with art that speaks to the ideas and issues of the contemporary world. Programs include:

- Performing Arts - Performing Arts programs include contemporary theater, dance, music, and multidisciplinary performances in both the Theatre and the Forum and from local, national and international artists.
- Visual Arts - Visual Arts exhibitions at YBCA focus on contemporary art of all types, also by local, national and international artists.
- Film/Video - Film/Video programs feature contemporary film from around the world and includes both YBCA curated screenings and co-presentations with community partners.
- Community Engagement - Community Engagement programs provide a range of opportunities for patrons to explore contemporary art through public programs and events. It also creates and manages the YBCA youth programs.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

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

- Subsidized Community Programs - YBCA makes its facilities available to local and Bay Area nonprofit organizations, providing subsidized rental rates and services.
- Commercial Rental Program - YBCA rents its facilities to commercial entities in order to generate revenue to support its Arts and Community Programs.

Basis of Presentation - The financial statements are presented on the accrual basis of accounting and reflect unrestricted, temporarily restricted, and permanently restricted net assets.

Method of Accounting - To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of YBCA are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net assets that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset group as follows:

Unrestricted net assets - These generally result from revenues generated by providing services, receiving unrestricted contributions, and receiving interest from banks less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily restricted net assets - YBCA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - These stipulate that resources be maintained permanently but permit the organization to use up or expend part or all of the income (or other economic benefits) derived from the donated assets.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Accounts Receivable - Receivables include contributions receivable, grants receivable, and other receivables. Contributions and grants receivable are recognized when an unconditional promise to give is received.

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

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

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

Allowance for doubtful accounts - Potential bad debt is accounted for by the allowance method based on historical experience and management evaluation of outstanding grants, contributions receivable, and accounts receivable. The allowance for doubtful accounts was \$18,737 as of June 30, 2010 and \$42,476 as of June 30, 2009.

Discount on noncurrent contributions, grants and contracts receivable - Noncurrent receivables are defined as promises to give and contracted obligations to pay YBCA that will not be received by the end of the next fiscal year (June 30, 2011). Noncurrent receivables are presented net of a discount based on the market conditions and management evaluation of outstanding grants, contributions receivable, and accounts receivable to reflect their present value. The discount for noncurrent receivables was \$386,624 as of June 30, 2010 and \$491,305 as of June 30, 2009. Receivables, net of allowances and discounts, are expected to be collected in future periods as follows:

<u>Year ending June 30,</u>	
2011	\$ 480,903
2012	257,290
2013	242,726
2014	228,987
2015	216,025
Thereafter	<u>577,440</u>
	<u>\$ 2,003,371</u>

Long-Term Investments - Investments are reported at their estimated fair value and consist of corporate bonds, U.S. treasury instruments, equity securities, and international funds, collectively referred to as marketable securities. Investments received by gift are recorded at fair value at the date of the donation. Gains or losses that result from market fluctuations are recognized in the period such fluctuations occur.

Recent Account Pronouncement - Accounting Standards Codification - In June 2009, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Codification ("Codification"). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Center's accounting policies. The adoption of the Codification did not have a material impact on the Center's financial position or results of activities.

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

NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

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

New Accounting Pronouncement, ASC 820-10, Fair Value Measurements - In September 2006, the Financial Accounting Standards Board issued Accounting Standards Codification 820-10 (formerly Statement of Financial Accounting Standards No. 157 (FAS-157)), *Fair Value Measurements*. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of ASC 820-10 are effective for the Center for fiscal years beginning January 1, 2008. The adoption of ASC 820-10 did not have a material impact on the Center's financial statements.

Fixtures and equipment - Fixtures and equipment purchased are stated principally at cost; assets acquired by contribution or bequest are stated at market value or net book value at the date of acquisition. YBCA capitalizes fixtures and equipment with a cost of \$3,000 or more, and a useful life in excess of one year. Depreciation is recognized using the straight-line method over the useful life of the assets, which range from 3 to 13 years. Maintenance and repairs are charged to expense as incurred.

Revenue recognition - Contributions received are recognized as revenue when received or unconditionally promised. YBCA reports gifts of cash and other assets as temporarily restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Temporarily restricted contributions are reported as unrestricted support when the restriction is met in the same period as the contribution is received.

YBCA recognizes revenue from box office sales, facility rentals, traveling exhibitions, and special events when the event is held. Any advance ticket sales or pre-payments on the rental of the facility are classified as refundable advances and deferred until the completion of the event.

In-kind contributions - In-kind contributions consist of donated goods and services related to the marketing design work, advertising and other items typically used for special events sponsored by YBCA. The estimated fair value of these donations was \$185,482 and \$73,459 for the years ended June 30, 2010 and 2009, respectively, and is reflected in the accompanying Statements of Activities.

Functional expense allocations - Certain expenses, such as supplies, travel, personnel, and plant maintenance operations, are allocated among program services and supporting services based on allocation methods and estimates made by YBCA's management.

Beginning with the year ended June 30, 2010, Facilities expenses and General and Administration expenses have been combined in the General Administration and Operations expense line on the Statements of Activities and column on the Schedule of Functional Expenses.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

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

Costs of joint activities - Costs of joint activities that are identifiable with a particular function are charged to that function, and joint costs are allocated between fund-raising and the appropriate program or management and general function. Joint costs were incurred by YBCA for personnel, hosting, and design for YBCA's website and for performance programs and event calendars. Of the total costs incurred of \$211,263 in fiscal year 2010, \$20,105 has been allocated to fundraising, \$185,290 has been allocated to marketing, and \$5,868 to administration. Of the total costs incurred of \$215,993 in fiscal year 2009, \$19,041 has been allocated to fundraising, \$188,244 has been allocated to marketing, and \$8,708 to administration.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status - YBCA is a nonprofit organization exempt from income tax under section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California. In addition, YBCA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

New Accounting Principles, ASC 740-10, Accounting for Uncertainty in Income Taxes - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Center to report information regarding its exposure to various tax positions taken by the Center. The Center has determined whether any tax positions have met the recognition threshold and have measured the Center's exposure to those tax positions. Management believes that the Center has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Center would be recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Subsequent Events - Subsequent events have been evaluated through November 3, 2010, which is the date the financial statements were available to be issued.

New Accounting Pronouncement, Uniform Prudent Management of Institutional Funds Act (UPMIFA) and California's State Prudent Management of Institutional Funds Act (SPMIFA) - In 2008, SB1329 was adopted, changing the rules governing the investment of funds by a nonprofit public benefit corporation. The new legislation will apply to newly created investment funds, as well as existing funds held as of January 1, 2009 (see Note 7).

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 2 OPERATING AGREEMENT

In 1990 YBCA entered into an Operating Agreement (Agreement) with the San Francisco Redevelopment Agency (the SFRA) for an initial term of 15 years. In June 2004, YBCA and the SFRA entered into an agreement to provide for an extended term of fifteen years as well as the possibility of additional extensions through June 30, 2094. With the June 2004 agreement, a funding level of \$3,555,000 for administrative and operational expenses was established. This funding level remains constant throughout the term of the agreement, except as adjusted by the SFRA from time to time as a result of a consultation process defined in the agreement. The SFRA has informed YBCA that the funding for the year ending June 30, 2011, will be reduced \$222,000 to \$3,333,000.

YBCA's facilities are owned by the SFRA and were financed from the sale of property in the Yerba Buena Center and an issue of bonds approved by the Board of Supervisors of the City and County of San Francisco. YBCA is not responsible for the bond obligations. YBCA is responsible for raising the funds for its arts and education programs.

NOTE 3 MARKETABLE EQUITY SECURITIES

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the years ended June 30, 2010 and 2009, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair Value Measurements at June 30, 2010, Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Corporate bonds	\$ 501,343	\$ -	\$ -	\$ 501,343
Government bonds	326,607	-	-	326,607
Domestic common stock	1,244,534	-	-	1,244,534
International common stock	154,157	-	-	154,157
Domestic mutual funds	426,493	-	-	426,493
International mutual funds	466,818	-	-	466,818
	<u>\$ 3,119,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,119,952</u>

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 3 MARKETABLE SECURITIES (CONTINUED)

Description	Fair Value Measurements at June 30, 2009, Using			Total
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Corporate bonds	\$ 295,905	\$ -	\$ -	\$ 295,905
Government bonds	424,244	-	-	424,244
Treasury notes	53,014	-	-	53,014
Common stocks	2,245,079	-	-	2,245,079
International funds	72,172	-	-	72,172
	<u>\$ 3,090,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,090,414</u>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended June 30, 2010 and 2009:

	2010	2009
Interest and dividends	\$ 91,108	\$ 137,107
Gain on sale of investments	3,434	13,484
Unrealized gains/(loss)	<u>252,603</u>	<u>(507,600)</u>
Total investment income/(loss)	<u>\$ 347,145</u>	<u>\$ (357,009)</u>
Investment income/(loss) - endowment	\$ 187,888	\$ (197,810)
Investment income/(loss) - other	<u>159,257</u>	<u>(159,199)</u>
Total investment income/(loss)	<u>\$ 347,145</u>	<u>\$ (357,009)</u>

Investment fees for the years ended June 30, 2010 and 2009, amounted to \$33,603 and \$27,378, respectively.

YERBA BUENA CENTER FOR THE ARTS
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 4 FIXTURES AND EQUIPMENT

Fixtures and equipment consisted of the following as of June 30, 2010 and 2009:

	2010	2009
Computer equipment and software	\$ 407,393	\$ 418,011
Furniture	79,628	64,811
Office equipment	119,356	2,449
Leasehold improvements	528,975	472,062
Other equipment and machinery	598,420	637,202
Total	1,733,772	1,594,535
Less: accumulated depreciation	(1,223,043)	(1,277,190)
 Fixtures and equipment, net	 \$ 510,729	 \$ 317,345

Depreciation expense for the years ended June 30, 2010 and 2009, was \$137,551 and \$118,244, respectively.

NOTE 5 SFRA RESERVES

Under its operating agreement with the SFRA, YBCA receives funding on a yearly basis (see Note 2). The agreement requires YBCA to set aside 5% of its annual appropriation from the SFRA into an interior reserve fund, which amounts are to be used for minor capital improvements and alterations, repairs, and replacements in the interior of YBCA's two buildings. If at any time the amount of funds in this reserve is more than 50% of the SFRA's annual appropriation, no additional funds need be deposited into the reserve.

The agreement further requires that 4% of the annual appropriation from the SFRA be placed in an operating reserve fund to be used for cash flow purposes during the year; however, any expenditures made with these amounts are to be recouped from earned or contributed income so that there is no net reduction in the operating reserve from year to year. The only circumstance in which SFRA will permit a reduction in the reserve to occur is if SFRA is not able to provide full funding to YBCA. If at anytime the amount of funds in this reserve is more than 25% of the SFRA's annual appropriation, no additional funds need be deposited into the reserve. Due to the level of the operating reserves, YBCA did not have to deposit any funds into the operating reserve during the years ended June 30, 2010 and 2009.

The amounts placed in the interior reserve fund were recorded as temporarily restricted revenues when received. The funds cannot be expended without the advance written approval of the SFRA. The total amounts expended from the interior reserve during 2010 and 2009 were \$444,712 and \$163,170, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2010 and 2009, as follows:

	2010	2009
SFRA interior reserve	\$ 592,258	\$ 873,726
SFRA operating reserve	1,218,977	1,217,626
Gardens program	5,295	5,295
General administrative and support	1,795,194	1,966,090
Future program activities	412,088	677,995
	\$ 4,023,812	\$ 4,740,732

Net assets were released from donor restrictions during the years ended June 30, 2010 and 2009, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2010	2009
Performing arts	\$ 261,400	\$ 158,000
Visual arts	10,000	56,000
Community engagement	209,443	350,309
Interior reserve	444,712	163,170
General administrative and support	272,727	313,247
Accumulated endowment income	-	79,413
	\$ 1,198,282	\$ 1,210,139

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT

YBCA's endowment consists of two investment accounts established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Law - The Board of Directors of YBCA has interpreted the California State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, YBCA classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if applicable.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

Interpretation of Law (Continued) - The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition by Type of Fund as of:

<u>June 30, 2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (88,855)	\$ -	\$ 1,861,215	\$ 1,772,360
Total funds	<u>\$ (88,855)</u>	<u>\$ -</u>	<u>\$ 1,861,215</u>	<u>\$ 1,772,360</u>

June 30, 2009

Donor-restricted endowment funds	\$ (208,764)	\$ -	\$ 1,861,215	\$ 1,652,451
Total funds	<u>\$ (208,764)</u>	<u>\$ -</u>	<u>\$ 1,861,215</u>	<u>\$ 1,652,451</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2008	\$ (3,652)	\$ 85,833	\$ 1,861,215	\$ 1,943,396
Investment return:				
Interest and dividends	-	55,108	-	55,108
Realized gain	-	12,359	-	12,359
Unrealized loss	(191,390)	(73,887)	-	(265,277)
Investment fees	(13,722)	-	-	(13,722)
Total investment return	<u>(205,112)</u>	<u>(6,420)</u>	<u>-</u>	<u>(211,532)</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(79,413)</u>	<u>-</u>	<u>(79,413)</u>
Endowment net assets, June 30, 2009	<u>(208,764)</u>	<u>-</u>	<u>1,861,215</u>	<u>1,652,451</u>
Investment return:				
Interest and dividends	-	42,155	-	42,155
Realized gain	-	6,050	-	6,050
Unrealized gain	137,888	1,795	-	139,683
Investment fees	(17,979)	-	-	(17,979)
Total investment return	<u>119,909</u>	<u>50,000</u>	<u>-</u>	<u>169,909</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Endowment net assets, June 30, 2010	<u>\$ (88,855)</u>	<u>\$ -</u>	<u>\$ 1,861,215</u>	<u>\$ 1,772,360</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) for the Fiscal Years Ended:

June 30, 2010

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained Permanently either by explicit donor stipulation of SPMIFA	<u>\$ 1,861,215</u>
--	---------------------

Total endowment funds classified as permanently restricted net assets	<u>\$ 1,861,215</u>
--	---------------------

Temporarily Restricted Net Assets

Term endowment funds	\$ -
The portion of perpetual endowment funds subject to a time restriction under SPMIFA:	
Without purpose restrictions	-
With purpose restrictions	-

Total endowment funds classified as temporarily restricted net assets	<u>\$ -</u>
--	-------------

June 30, 2009

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained Permanently either by explicit donor stipulation of SPMIFA	<u>\$ 1,861,215</u>
--	---------------------

Total endowment funds classified as permanently restricted net assets	<u>\$ 1,861,215</u>
--	---------------------

Temporarily Restricted Net Assets

Term endowment funds	\$ -
The portion of perpetual endowment funds subject to a time restriction under SPMIFA:	
Without purpose restrictions	-
With purpose restrictions	-

Total endowment funds classified as temporarily restricted net assets	<u>\$ -</u>
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$(88,855) as of June 30, 2010, and \$(208,764) as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred as a part of a national economic and market decline and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

YBCA has adopted investment and spending policies for endowment assets that attempt to provide a relatively stable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the market index, or blended market index, selected and agreed upon by the Finance and Operations Committee, that most closely corresponds to the style of investment management. YBCA expects its endowment funds to meet or exceed the median returns of an appropriate universe of institutional-quality investment managers over a three year horizon for equity investments and a five year horizon for fixed income investments. YBCA expects its endowment funds, over time, to provide a reasonable rate of return. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, YBCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

YBCA has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over a twelve quarter moving average, but will be set each year as part of the annual budget process. Other withdrawals are only permitted at the authorization of the Board of Directors. In establishing this policy, the organization considered its long-term expected return on its endowment. Accordingly, over the long-term, the organization expects the current spending policy to allow its endowment to grow by an amount equal to the rate of return, less the spending policy. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 8 TAX-DEFERRED ANNUITY PLAN

YBCA has an employer contributory tax-deferred annuity plan as established under Internal Revenue Code Section 403(b). In January 2005, YBCA established a second 403(b) plan that provides a wider range of investment options and lower investment fees for employees. Employees who have participated in the original 403(b) plan may choose to transfer assets from the old plan to the new plan. New employees that become eligible for participation are enrolled in the new plan.

The eligibility for both plans is the same: employees are eligible to participate in the plan on the first day for salary deferrals. Employees are eligible for employer matching contributions after six months of employment, provided that they normally work at least 20 hours per week and are not represented by a collective bargaining agreement where retirement benefits were the subject of good faith bargaining. All participants are 100% vested in the employee and employer contributions. Total contributions made by YBCA for 2010 and 2009 were \$63,926 and \$57,040, respectively.

NOTE 9 CONCENTRATIONS AND CREDIT RISK

Cash - Financial instruments that potentially subject YBCA to credit risk consist primarily of cash, cash equivalents, investments, and accounts receivable. YBCA maintains cash and cash equivalents with commercial banks and other major financial institutions. At June 30, 2010, YBCA had approximately \$4,809,000 in excess of the federal depository insurance limit of \$250,000. Cash equivalents include money market funds. At June 30, 2010, YBCA had approximately \$2,620,000 in investments above the \$500,000 per account Securities Investor Protection Corporation (SIPC) insurance limit.

Contributions and grants receivable - As of June 30, 2010, contributions, grants and contracts receivable included amounts due from three institutions that represent 95% of the gross contribution and grants receivable balance due. As of June 30, 2009, this number was 94%.

Revenues and support - For the years ended June 30, 2010 and 2009, approximately 21% and 31%, respectively, of YBCA's unrestricted revenue and support was provided by the San Francisco Redevelopment Agency in accordance with an operating agreement that will expire in 2019 (see Notes 2 and 5).

Labor - YBCA utilizes members of the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, its Territories, and Canada Local No. 16 (Local 16 I.A.T.S.E.) for a significant portion of the labor related to the various performances sponsored by YBCA. The contract with Local 16 I.A.T.S.E. was renewed for a three-year term beginning July 1, 2009.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2010 and 2009

NOTE 10 RISKS, UNCERTAINTIES AND CONCENTRATIONS

The organization relies on a significant amount of funding received in the form of donations and grants from individuals and foundations as well as investment income to support its operations. The current global financial markets and discussions of a U.S. economic downturn may have an impact on the level of funding provided by these funding sources and the market value of marketable equity securities held by the organization. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the organization's exposure to impact from these events.

NOTE 11 SUBSEQUENT EVENTS

As disclosed in Note 2, the SFRA has reduced funding for the year ending June 30, 2011, by \$222,000 to \$3,333,000, as allowed in the Operating Agreement.

SUPPLEMENTARY INFORMATION

YERBA BUENA CENTER FOR THE ARTS
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SCHEDULES OF FUNCTIONAL EXPENSES
For the year ended June 30, 2010

	Program Services					Supporting Services			Total	
	Performing Arts	Visual Arts	Film/Video	Community Engagement	Subsidized Community Programs	Commercial Rentals	General Admin. and Operations	Fund-Raising		Dream House Raftle
Salaries, payroll taxes and benefits	\$ 399,950	\$ 796,368	\$ 251,069	\$ 432,839	\$ 497,214	\$ 361,006	\$ 475,605	\$ 411,612	\$ 759,246	\$ 4,384,909
Artist fees and expenses	447,526	100,767	-	-	-	-	-	-	-	548,293
Program and production expenses	378,124	833,213	125,247	207,299	630,806	1,213,383	38,392	61,350	3,981,351	7,469,165
Marketing & public relations	154,772	173,813	42,606	43,387	58,287	12,797	4,391	32,175	1,418,163	1,940,391
Membership and cultivation	-	-	-	-	-	-	-	172,639	-	172,639
Security and janitorial services	54,079	114,098	27,361	26,344	88,481	88,784	157,170	13,948	211	570,476
Equipment maintenance and supplies	16,662	25,368	10,687	9,388	28,030	27,573	45,404	18,412	185,332	366,856
Utilities	31,465	38,825	18,558	18,117	41,201	47,627	112,562	12,817	1,611	322,783
Insurance	12,427	20,691	6,904	12,427	9,665	9,665	52,470	12,427	6,369	143,045
Office supplies	8,956	16,393	5,144	7,895	6,818	6,573	25,711	9,171	2,776	89,437
In-kind gifts expense	53,169	54,625	15,281	15,783	21,135	2,855	10,020	11,296	1,319	185,483
Miscellaneous expense	674	1,442	434	949	581	576	2,772	1,233	7,569	16,230
Depreciation	12,380	17,882	6,878	12,380	9,629	9,629	52,269	12,380	4,127	137,554
Interior Reserve	12,220	18,793	4,901	6,319	18,008	16,691	26,915	5,805	1,260	110,912
Total	\$ 1,582,404	\$ 2,212,278	\$ 515,070	\$ 793,127	\$ 1,409,855	\$ 1,797,159	\$ 1,003,681	\$ 775,265	\$ 6,369,334	\$ 16,458,173

YERBA BUENA CENTER FOR THE ARTS
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SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended June 30, 2009

	Program Services						Supporting Services				Total
	General Administration and Operation			Fundraising			General Administration and Operation		Fundraising		
	Performing Arts	Visual Arts	Film/Video	Community Engagement	Subsidized Community Programs	Commercial Rentals	General Admin	Facilities	Fund-Raising	Dream House Raffle	
Salaries, payroll taxes and benefits	\$ 457,357	\$ 719,672	\$ 224,036	\$ 491,320	\$ 455,155	\$ 186,653	\$ 192,860	\$ 120,617	\$ 515,133	\$ 476,375	\$ 3,839,178
Artist fees and expenses	418,499	137,971	6,000	20,810	-	-	-	-	4,635	-	587,915
Program and production expenses	294,346	623,938	97,718	162,112	603,940	628,045	235,698	11,282	154,879	297,073	3,109,031
Marketing & public relations	197,202	181,225	61,741	41,013	47,631	6,351	14,966	-	11,326	1,181,456	1,742,911
Membership and cultivation	-	-	-	-	-	-	-	-	457,071	-	457,071
Security and janitorial services	50,745	197,667	3,298	14,478	113,790	35,902	31,055	154,131	13,256	-	614,322
Equipment maintenance and supplies	38,726	43,415	13,431	23,609	59,847	24,154	17,454	64,484	22,866	36	308,022
Utilities	31,904	46,858	2,202	5,659	70,638	13,534	20,784	110,716	2,490	-	304,785
Insurance	13,907	41,586	4,359	7,732	18,118	10,797	188	14,141	14,338	42	125,208
Office supplies	2,023	4,992	996	939	2,296	1,174	72	1,578	2,399	9	16,478
Miscellaneous expense	490	868	591	3,625	474	55	59	113	6,021	3,101	15,397
Depreciation	21,354	24,508	8,304	11,373	22,812	8,211	5,365	12,836	3,293	188	118,244
Interior Reserve	12,879	23,404	2,582	8,133	24,485	16,072	4,968	15,075	3,901	49	111,548
Total	\$ 1,539,432	\$ 2,046,104	\$ 425,258	\$ 790,803	\$ 1,419,186	\$ 930,948	\$ 523,469	\$ 504,973	\$ 1,211,608	\$ 1,958,329	\$ 11,350,110