

**SPUR - SAN FRANCISCO BAY AREA PLANNING
AND URBAN RESEARCH ASSOCIATION
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For the Years Ended
March 31, 2018 and 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SPUR - San Francisco Bay Area Planning
and Urban Research Association
San Francisco, California

We have audited the accompanying financial statements of SPUR - San Francisco Bay Area Planning and Urban Research Association (a California nonprofit public benefit corporation) which comprise the Statements of Financial Position as of March 31, 2018 and 2017, and the related Statements of Activities and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPUR - San Francisco Bay Area Planning and Urban Research Association as of March 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bunker + Company LLP

September 4, 2018

SPUR - SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION
March 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1 and 2)	\$ 1,769,196	\$ 1,833,120
Pledges receivable, current portion, net of allowance of \$5,000 (Note 3)	29,834	79,834
Grants receivable, current portion (Note 4)	775,000	720,000
Other receivables	677,211	375,621
Prepaid expenses	82,970	103,203
Total current assets	3,334,211	3,111,778
Fiscal sponsor cash (Note 2)	-	979
Investments (Note 5)	2,991,942	1,208,875
Donor-advised fund (Note 5)	316,766	1,420,735
Bond costs and loan fees, net of amortization (Note 6)	100,886	88,580
Long-term pledges receivable (Note 3)	1,500	51,500
Long-term grants receivable (Note 4)	450,000	350,000
Property and equipment, net of accumulated depreciation of \$3,589,546 in 2018 and \$3,195,237 in 2017 (Notes 1 and 7)	12,189,455	12,567,780
Permanently restricted cash (Note 2)	705,365	610,365
Total assets	\$ 20,090,125	\$ 19,410,592
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 145,101	\$ 114,491
Fiscal sponsor liability (Note 2)	-	979
Deferred revenue	74,390	53,550
Accrued wages	-	42,010
Accrued compensated absences (Note 8)	306,099	267,341
Loan payable, current portion (Note 9)	116,000	116,000
Total current liabilities	641,590	594,371
Loan payable, net of current portion (Note 9)	2,668,000	2,784,000
Total liabilities	3,309,590	3,378,371
Net assets (Note 10):		
Unrestricted net assets:		
Undesignated	10,338,192	10,713,445
Board-designated	2,475,831	2,511,779
Total unrestricted net assets	12,814,023	13,225,224
Temporarily restricted net assets	3,224,813	2,065,298
Permanently restricted net assets	741,699	741,699
Total net assets	16,780,535	16,032,221
Total liabilities and unrestricted net assets	\$ 20,090,125	\$ 19,410,592

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

SPUR - SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
For the year ended March 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions and memberships	\$ 3,158,459	\$ 2,698,721	\$ -	\$ 5,857,180
Special events income (Note 12)	1,442,946	-	-	1,442,946
State and city grants for special projects	268,285	12,676	-	280,961
In-kind contributions (Note 13)	158,720	-	-	158,720
Rental income	340,683	-	-	340,683
Investment income (Note 5)	180,567	20,182	-	200,749
Other income	78,609	-	-	78,609
	<u>5,628,269</u>	<u>2,731,579</u>	<u>-</u>	<u>8,359,848</u>
Total support and revenue				
Net assets released from restrictions	<u>1,572,064</u>	<u>(1,572,064)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and transfers	<u>7,200,333</u>	<u>1,159,515</u>	<u>-</u>	<u>8,359,848</u>
EXPENSES				
Program expenses	6,013,112	-	-	6,013,112
General and administrative	608,923	-	-	608,923
Fundraising	989,499	-	-	989,499
Total expenses	<u>7,611,534</u>	<u>-</u>	<u>-</u>	<u>7,611,534</u>
Change in net assets	(411,201)	1,159,515	-	748,314
Net assets, beginning of year	<u>13,225,224</u>	<u>2,065,298</u>	<u>741,699</u>	<u>16,032,221</u>
Net assets, end of year	<u>\$ 12,814,023</u>	<u>\$ 3,224,813</u>	<u>\$ 741,699</u>	<u>\$ 16,780,535</u>

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

SPUR - SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
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STATEMENT OF ACTIVITIES
For the year ended March 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions and memberships	\$ 2,916,952	\$ 1,917,716	\$ 4,500	\$ 4,839,168
Special events income (Note 12)	1,585,325	-	-	1,585,325
State and city grants for special projects	271,924	-	-	271,924
In-kind contributions (Note 13)	154,093	-	-	154,093
Rental income	419,427	-	-	419,427
Investment income (Note 5)	287,765	34,297	-	322,062
Other income	25,435	-	-	25,435
	<u>5,660,921</u>	<u>1,952,013</u>	<u>4,500</u>	<u>7,617,434</u>
Total support and revenue				
Net assets released from restrictions	<u>1,329,095</u>	<u>(1,329,095)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and transfers	<u>6,990,016</u>	<u>622,918</u>	<u>4,500</u>	<u>7,617,434</u>
EXPENSES				
Program expenses	5,496,110	-	-	5,496,110
General and administrative	493,241	-	-	493,241
Fundraising	1,056,944	-	-	1,056,944
Total expenses	<u>7,046,295</u>	<u>-</u>	<u>-</u>	<u>7,046,295</u>
Change in net assets	(56,279)	622,918	4,500	571,139
Net assets, beginning of year	<u>13,281,503</u>	<u>1,442,380</u>	<u>737,199</u>	<u>15,461,082</u>
Net assets, end of year	<u>\$ 13,225,224</u>	<u>\$ 2,065,298</u>	<u>\$ 741,699</u>	<u>\$ 16,032,221</u>

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

SPUR - SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS
For the years ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 748,314	\$ 571,139
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	394,309	447,714
Unrealized loss (gain) on investments	42,114	(70,881)
Realized gain on investments	(54,475)	(69,095)
Loss (gain) on donor advised fund	(122,916)	(123,552)
Changes in assets and liabilities:		
Permanently restricted cash	(95,000)	(6,000)
Pledges receivable	(350,000)	9,829
Grants receivable	295,000	(535,000)
Prepaid expenses	20,233	(59,117)
Accounts receivable	(301,589)	(109,235)
Accounts payable and accrued expenses	30,610	4,984
Deferred revenue	20,840	53,550
Accrued wages	42,010	(24,948)
Accrued compensated absences	38,758	12,664
Total adjustments	<u>(40,106)</u>	<u>(469,087)</u>
Net cash provided by operating activities	<u>708,208</u>	<u>102,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in investments	(1,728,592)	182,578
Change in donor advised fund	1,100,952	5,692
Purchase of property and equipment	<u>(16,186)</u>	<u>(144,382)</u>
Net cash (used) provided by investing activities	<u>(643,826)</u>	<u>43,888</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in bonds payable	-	(1,600,000)
Change in loan payable	(116,000)	
Change in bond costs	(12,306)	78,646
Change in Debt Service Fund	-	1,800,000
Net cash (used) provided by financing activities	<u>(128,306)</u>	<u>278,646</u>
Net change in cash and cash equivalents	(63,924)	424,586
Cash and cash equivalents, beginning of year	<u>1,833,120</u>	<u>1,408,534</u>
Cash and cash equivalents, end of year	<u>\$ 1,769,196</u>	<u>\$ 1,833,120</u>
Cash paid for interest and loan fees during the year	<u>\$ 73,456</u>	<u>\$ 37,264</u>
Non-cash transactions:		
In-kind contributions	<u>\$ 158,720</u>	<u>\$ 154,093</u>

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

SPUR - SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2018 and 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – SPUR - San Francisco Bay Area Planning and Urban Research Association (SPUR) is a California nonprofit public benefit corporation engaged in activities relating to current issues affecting the future of the San Francisco Bay Area. SPUR’s history dates back to 1910, and SPUR was incorporated in 1959. SPUR provides continuing independent guidance to the community and governing bodies involving matters vital to the economic and social welfare of the San Francisco Bay area.

A significant amount of SPUR’s revenue is obtained from its approximately 6,500 members that include individuals, the public sector and private businesses. In addition, SPUR receives funds from charitable foundations for both baseline support and special projects to meet its mission.

The following programs are included in the accompanying financial statements:

- Policy - SPUR provides objective analysis on the following eight policy areas: community planning, disaster planning, economic development, sustainable development, good government, housing, regional planning, and transportation.
- Public Engagement - SPUR provides analysis through educational events, exhibits, a monthly publication, and the website.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets: unrestricted, temporarily restricted and permanently restricted, according to externally imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the current fiscal year, and board designated funds that are held for future operations.

Temporarily restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by SPUR is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SPUR pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of SPUR pursuant to those stipulations.

Permanently restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by SPUR is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (b) from other assets enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

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NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2018 and 2017

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

Fair Value Measurements - Accounting standards were created which established a framework for reporting fair value and expand disclosures about fair value measurements, effective for years beginning after November 15, 2007. SPUR adopted these standards, thereby measuring the fair value of its cash and cash equivalents, investments, and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the assets or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

SPUR's carrying amounts of its assets and liabilities, including its investments presented in Note 5, approximate fair value under Level 1 and Level 2 for the year ended March 31, 2018 and 2017.

UPMIFA - A standard was created which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). California adopted UPMIFA on January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. A key component of the standard is a requirement to classify the portion of investment return from donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The required disclosures are set forth in Note 11.

Method of Accounting - The financial statements of SPUR are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

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.

SPUR - SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2018 and 2017

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

Property and Equipment - SPUR records property and equipment at cost of acquisition. Depreciation is recognized using the straight-line method over the useful life of the assets, which range from 5 to 40 years. SPUR capitalizes all property and equipment with a cost in excess of \$2,500.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - SPUR is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a private foundation.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

Donated Services - Donated services are recognized as income and as assets or expenses if the services enhance a nonfinancial asset such as property and equipment or:

- Would typically need to be purchased by SPUR if they had not been provided by contribution,
- Require specialized skills, and
- Are provided by individuals with those skills.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Accounts Receivable - It is the practice of SPUR to expense uncollectibles only after exhausting all efforts to collect the amounts due. An allowance for doubtful accounts was established for receivables relating to special events and to pledges.

Contributions - Contributions are recognized when the donor makes a promise to give to SPUR that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Advertising Costs - It is the policy of SPUR to expense advertising costs as incurred.

SPUR - SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2018 and 2017

NOTE 2 UNRESTRICTED AND RESTRICTED CASH

At March 31, 2018 and 2017, SPUR held unrestricted and donor-imposed restricted cash as follows:

	2018	2017
Unrestricted cash	\$ 1,769,196	\$ 1,833,120
Fiscal sponsor cash	-	979
Permanently restricted cash	705,365	610,365
Total cash	\$ 2,474,561	\$ 2,444,464

NOTE 3 PLEDGES RECEIVABLE

As of March 31, 2018 and 2017, pledges receivable were as follows:

	2018	2017
Endowment pledges	\$ 36,334	\$ 136,334
Less: Allowance for uncollectible pledges	(5,000)	(5,000)
Total net pledges receivable	31,334	131,334
Less: Long term portion	(1,500)	(51,500)
Current portion	\$ 29,834	\$ 79,834

NOTE 4 GRANTS RECEIVABLE AND CONDITIONAL GRANT

As of March 31, 2018 and 2017, grants receivable were as follows:

	2018	2017
Grants receivable	\$ 1,225,000	\$ 1,070,000
Less: Long-term portion	(450,000)	(350,000)
Current portion	\$ 775,000	\$ 720,000

Future income is as follows:

2019	\$ 775,000
2020	450,000
	\$ 1,225,000

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NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2018 and 2017

NOTE 4 GRANTS RECEIVABLE AND CONDITIONAL GRANT (Continued)

SPUR has been awarded a multi-year grant that is conditional upon meeting certain match requirements as follows:

Year ending March 31,	<u>Grant Amount</u>	<u>Match Required</u>
2019	<u>\$ 105,000</u>	<u>\$ 500,000</u>

The restricted purpose of this conditional grant is for San Jose regional programs. The grant will be recorded in income and as a receivable at the times the match requirements are met.

NOTE 5 INVESTMENTS AND DONOR ADVISED FUND

Investments, which are carried at market value and are subject to market risk, consist of the following at March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Fixed income (A)	\$ 1,004,806	\$ 87,627
Equities (B)	<u>1,987,136</u>	<u>1,121,248</u>
	<u>\$ 2,991,942</u>	<u>\$ 1,208,875</u>
 Donor Advised Fund	 <u>\$ 316,766</u>	 <u>\$ 1,420,735</u>

- (A) Fair value Level 2
- (B) Fair value Level 1

In April 2013, SPUR established an investment fund at The San Francisco Foundation. These funds are held in a donor-advised fund and constitute an irrevocable gift from SPUR to the Foundation. SPUR has advisory rights over the fund and may request grants be made from the fund, subject to approval by the Foundation's Board of Trustees. Although The San Francisco Foundation has variance power, as defined by the FASB, SPUR may request the balance in the fund be granted to itself. For this reason, the Foundation accounts for these funds as both an asset and a liability. Variance power gives the Foundation the right to distribute the investment income to another not-for-profit entity if it determines that support for SPUR is no longer necessary. The funds are invested in The San Francisco Foundation long term investment fund consisting of a target mix of 80% long term and 20% short term investments. The value of the fund at March 31, 2018 and 2017 was \$316,766 and \$1,420,735, respectively.

The following summarizes the investment income during the years ended March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 65,472	\$ 58,534
Unrealized gains (losses)	(42,114)	70,881
Realized gains	54,475	69,095
Donor advised fund unrealized gains (losses)	<u>122,916</u>	<u>123,552</u>
	<u>\$ 200,749</u>	<u>\$ 322,062</u>

Total custodial investment fees for the year ended March 31, 2018 and 2017 were \$33,159 and \$36,966, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2018 and 2017

NOTE 6 BOND COSTS

In December, 2007, amounts were paid to obtain the bonds used to finance the construction of SPUR's building. These costs were being amortized over the 35 year bond term and had a net balance of \$172,066 at March 31, 2016. Upon entering into a new loan agreement on October 6, 2016 (see Note 10) the remaining net balance of \$167,226 was charged to expense. Fees in the amount of \$100,846 were paid to J.P. Morgan Chase Bank as required to obtain the new loan agreement. These fees will be amortized over the ten-year loan term.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Property and equipment at cost</u>	<u>2018</u>	<u>2017</u>
Land	\$ 3,269,975	\$ 3,269,975
Building and improvements	11,315,658	11,311,860
Leasehold improvements	167,124	167,124
Library, furniture and equipment	<u>1,026,244</u>	<u>1,014,058</u>
	15,779,001	15,763,017
Less: accumulated depreciation	<u>(3,589,546)</u>	<u>(3,195,237)</u>
Property and equipment, net	<u>\$ 12,189,455</u>	<u>\$ 12,567,780</u>

NOTE 8 ACCRUED COMPENSATED ABSENCES

Accumulated unpaid employee compensated absences are recognized as liabilities of SPUR. Compensated absences at March 31, 2018 and 2017 were \$306,099 and \$267,341, respectively.

NOTE 9 BONDS AND LOAN PAYABLE

On December 1, 2007, the California Municipal Finance Authority issued Variable Rate Revenue Bonds in the amount of \$6,935,000, the proceeds of which financed the construction of SPUR's new building.

A partial redemption in the amount of \$ 2,435,000 was made on October 1, 2012, resulting in bonds payable at March 31, 2016 of \$4,500,000. On October 1, 2016, a partial redemption in the amount of \$1,600,000 was made.

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NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2018 and 2017

NOTE 9 BONDS AND LOAN PAYABLE (continued)

On October 3, 2016 the remaining bonds payable balance of \$2,900,000 was converted to a term interest rate loan with JP Morgan Chase Bank. The loan is to be paid over a 10-year period and bears a fixed interest rate of 2.51%. Principal is payable annually beginning on October 1, 2017, and interest is payable semiannually beginning October 1, 2017. The loan is secured by a Deed of Trust.

The terms and conditions of the loan are set forth in a Continuing Covenants Agreement dated October 3, 2016. Per the agreement, SPUR must maintain a Debt Service Coverage Ratio of at least 1.2 to 1.0, measured annually for each fiscal year. As of March 31, 2018, SPUR was in compliance with this ratio.

Future obligations on the loan are as follows:

2019	\$	116,000
2020		116,000
2021		116,000
2022		116,000
2023		116,000
Thereafter		<u>2,204,000</u>
		<u>\$ 2,784,000</u>

NOTE 10 NET ASSETS

Unrestricted net assets consist of the following at March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 10,338,192	\$ 10,713,445
Board-designated: Operations	1,652,396	1,516,344
Board-designated: Quasi-endowment	823,435	995,435
	<u>\$ 12,814,023</u>	<u>\$ 13,225,224</u>

Temporarily restricted net assets are available to be used within specific time and/or for specific purpose restrictions and consist of the following at March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Food systems and urban agriculture program	\$ 303,183	\$ 151,145
Regional planning	1,845,000	800,000
Research fellowship and education	12,206	5,990
Urban Center	187,384	238,163
Time restricted	341,640	-
San Jose Office	225,000	370,000
San Francisco	<u>310,400</u>	<u>500,000</u>
	<u>\$ 3,224,813</u>	<u>\$ 2,065,298</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2018 and 2017

Permanently restricted net assets consist of the Piero N. Patri Fellowship in Urban Design funds and the SPUR endowment fund to be held in perpetuity. The income generated from the Fellowship is to be used to fund a research position in urban design and planning. The SPUR endowment generates income to be used to fund operations. Permanently restricted net assets consist of the following at March 31, 2018 and 2017 (see Note 11):

	2018	2017
SPUR endowment	\$ 603,649	\$ 603,649
Piero N. Patri Fellowship	138,050	138,050
	\$ 741,699	\$ 741,699

NOTE 11 ENDOWMENT

SPUR's endowment fund consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The donor-restricted endowment is classified as permanently restricted net assets, and the Board-designated endowment is classified as unrestricted net assets.

Interpretation of relevant law - The Board of Directors of SPUR has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds. SPUR classifies as permanently restricted net assets the original value of all gifts donated to the permanent endowment.

These donor-restricted funds are to be held in perpetuity. When earnings and appreciation in the fund exceed the original gift amount, those earnings will be 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 by UPMIFA.

Spending policy - SPUR's current spending policy is one in which the Board will approve the appropriation of current and accumulated earnings on endowment assets for purposes specified by the donor, and to fund operational expenses.

Endowment investment policies - SPUR has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment net asset composition - The composition of the endowment fund at March 31, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
Endowment funds	\$ -	\$ 12,206	\$ 741,699	\$ 753,905
Board-designated funds	823,435	-	-	823,435
Total funds	\$ 823,435	\$ 12,206	\$ 741,699	\$ 1,577,340

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NOTES TO FINANCIAL STATEMENTS
For the years ended March 31, 2018 and 2017

NOTE 11 ENDOWMENT (continued)

Changes in Endowment net assets:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets at March 31, 2017	\$ 995,435	\$ 5,990	\$ 741,699	\$ 1,743,124
Contributions		-		
Investment return:				
Interest income	47,197	12,206	-	59,403
Unrealized gain	<u>80,803</u>	<u>-</u>	<u>-</u>	<u>80,803</u>
Total investment return	128,000	12,206	-	140,206
Appropriation of endowment earnings for expenditure	-	(5,990)	-	(5,990)
Transfer of board designated endowment funds	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Net assets at March 31, 2018	<u>\$ 823,435</u>	<u>\$ 12,206</u>	<u>\$ 741,699</u>	<u>\$ 1,577,340</u>

NOTE 12 SPECIAL EVENTS

SPUR holds an annual event called the Silver SPUR Luncheon to honor citizens who have made a significant contribution to the community. It also hosts the Good Government Awards honoring public sector managerial leadership, as well as other events.

Details of the events held during the year ended March 31, 2018, are as follows:

	<u>Good Government Awards</u>	<u>Silver SPUR</u>	<u>Other Events</u>	<u>Total</u>
Contributed income	\$ 179,200	\$ 858,716	\$ 405,030	\$ 1,442,946
Donated goods and services	<u>3,716</u>	<u>19,128</u>	<u>19,932</u>	<u>42,776</u>
Total income	182,916	877,844	424,962	1,485,722
Direct expense (not including staff or overhead costs)	<u>(93,904)</u>	<u>(251,296)</u>	<u>(167,952)</u>	<u>(513,152)</u>
Excess revenue over expense	<u>\$ 89,012</u>	<u>\$ 626,548</u>	<u>\$ 257,010</u>	<u>\$ 972,570</u>

NOTE 13 IN-KIND CONTRIBUTIONS

SPUR received the benefit of donations of goods and services during the years ended March 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Special events goods and services	\$ 42,776	47,559
Other in-kind services goods and services	<u>115,944</u>	<u>106,534</u>
Total in-kind contributions	<u>\$ 158,720</u>	<u>\$ 154,093</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 14 LEASES

In July 2013 SPUR entered into a lease for an office in San Jose under a three year lease expiring in June, 2016; the lease was renewed for an additional three year period which will expire in June 2018. In January, 2016, SPUR entered into a lease for an office in Oakland for a ten-year period which will expire in December, 2025. Total lease expense for both leases was \$204,548 and \$59,773 during the years ended March 31, 2018 and 2017, respectively.

Future obligations are as follows:

<u>March 31,</u>	
2019	\$ 161,328
2020	162,537
2021	167,412
2022	172,437
2023	177,603
Thereafter	<u>515,835</u>
	<u>\$ 1,357,152</u>

In January, 2016, SPUR entered into a sublet agreement for a portion of the Oakland office for a five-year period which will expire December, 2020.

Future income is as follows:

<u>March 31,</u>	
2019	\$ 64,137
2020	66,060
2021	<u>50,652</u>
	<u>\$ 180,849</u>

NOTE 15 DEFERRED COMPENSATION PLAN

SPUR covers eligible employees under a 403(b) qualified deferred compensation retirement plan administered by SPUR. The funds are used to purchase an annuity contract with the Teachers Insurance and Annuity Association of America. Retirement expense paid by SPUR for the years ended March 31, 2018 and 2017 was \$93,106 and \$68,277, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 16 RELATED PARTY TRANSACTIONS

In 2015 SPUR hired board member Bill Stotler to fundraise for SPUR Oakland. During the year ended March 31, 2018 and 2017, \$60,000 and \$60,000, respectively, was paid to him for this service.

In 2018, SPUR hired board member Molly Turner for research services. During the year ended March 31, 2018, \$15,000 was paid to her for her services.

NOTE 17 CONCENTRATION OF CREDIT RISK

As of March 31, 2018, SPUR had cash balances with financial institutions which exceeded the \$250,000 Federal Deposit Insurance Corporation insured limit by approximately \$1,400,000.

NOTE 18 SUBSEQUENT EVENTS

SPUR has evaluated subsequent events for the period from March 31, 2018 – September 4, 2018, the date the financial statements were issued, and believes no additional disclosures are required in the financial statements.

SUPPLEMENTARY INFORMATION

SPUR - SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
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SCHEDULE OF FUNCTIONAL EXPENSES
for the year ended March 31, 2018

	Programs				Supporting Services			Total
	Policy	Public Engagement	Total Program Expenses	General & Administrative	Fundraising	Supporting Services	Total	
PERSONNEL								
Salaries and related expenses	\$ 2,606,300	\$ 714,630.71	\$ 3,320,931	\$ 336,297	\$ 546,482	\$ 882,779	\$ 4,203,710	
OPERATING								
Urban Center expenses	105,160	28,834	133,994	13,569	22,050	35,619	169,612	
Contract services	503,273	137,994	641,267	64,938	105,525	170,463	811,730	
Nonpersonnel services	382,883	104,984	487,867	49,404	80,282	129,686	617,553	
Special Project expenses	280,516	76,916	357,432	36,196	58,818	95,013	452,445	
Other expenses	454,254	124,553	578,807	58,613	95,247	153,860	732,667	
Building costs	386,766	106,049	492,815	49,905	81,096	131,001	623,816	
Total expenses	\$ 4,719,151	\$ 1,293,961	\$ 6,013,112	\$ 608,923	\$ 989,499	\$ 1,598,422	\$ 7,611,534	

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SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended March 31, 2017

	Programs				Supporting Services			Total
	Policy	Public Engagement	Total Program Expenses	General & Administrative	Fundraising	Supporting Services	Total	
PERSONNEL								
Salaries and related expenses	\$ 2,235,832	\$ 586,549	\$ 2,822,381	\$ 253,291	\$ 542,766	\$ 796,057	\$ 3,618,438	
OPERATING								
Urban Center expenses	117,051	30,707	147,758	13,260	28,415	41,675	189,433	
Contract services	543,013	142,454	685,467	61,516	131,821	193,337	878,804	
Nonpersonnel services	412,529	108,223	520,752	46,734	100,145	146,879	667,631	
Special Project expenses	262,540	68,875	331,415	29,742	63,734	93,476	424,891	
Other expenses	349,982	91,814	441,796	39,649	84,959	124,608	566,404	
Building costs	432,959	113,582	546,541	49,049	105,104	154,153	700,694	
Total expenses	<u>\$ 4,353,906</u>	<u>\$ 1,142,204</u>	<u>\$ 5,496,110</u>	<u>\$ 493,241</u>	<u>\$ 1,056,944</u>	<u>\$ 1,550,185</u>	<u>\$ 7,046,295</u>	