

**SAN FRANCISCO BAY AREA PLANNING
AND URBAN RESEARCH ASSOCIATION**

Financial Statements

For the year ended March 31, 2019

with

Report of Independent Auditors



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Report of Independent Auditors

To the Board of Directors
San Francisco Bay Area Planning and Urban Research Association

We have audited the accompanying financial statements of the San Francisco Bay Area Planning and Urban Research Association, which comprise the statement of financial position as of March 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Francisco Bay Area Planning and Urban Research Association as of March 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Report on Summarized Comparative Information

The financial statements of the San Francisco Bay Area Planning and Urban Research Association as of March 31, 2018, were audited by other auditors whose report dated September 4, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which the management of the San Francisco Bay Area Planning and Urban Research Association derived it.

WMB², LLP

WMB², LLP
Larkspur, California
October 1, 2019

SPUR
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018

	Assets	
	2019	2018
Current assets		
Cash and cash equivalents	\$ 1,241,529	\$ 1,824,482
Short-term investments	765,466	750,965
Donor advised fund	-	316,766
Receivables:		
Contributions receivable	386,451	387,083
Grants receivable	679,555	775,000
Other receivables	152,261	321,462
Prepaid expenses	54,138	69,645
Total current assets	3,279,400	4,445,403
Property and equipment		
Property, and equipment, net of accumulated depreciation of \$3,973,200 in 2019	11,879,727	12,189,455
Other noncurrent assets		
Long-term investments	3,448,754	2,991,942
Grants receivable, long term	-	450,000
Deposits	14,375	13,325
Total noncurrent assets	15,342,856	15,644,722
Total assets	\$ 18,622,256	\$ 20,090,125
	Liabilities and Net assets	
Current liabilities		
Accounts payable and accrued expenses	\$ 39,393	\$ 110,162
Accrued compensated balances	290,646	306,099
Accrued interest	33,483	34,939
Deferred revenue	38,500	74,390
Current portion of long-term debt	116,000	116,000
Total current liabilities	518,022	641,590
Noncurrent liabilities		
Long-term debt	2,552,000	2,668,000
Deferred rent	78,022	-
Total noncurrent liabilities	2,630,022	2,668,000
Total liabilities	3,148,044	3,309,590
Net assets		
Without donor restrictions	12,231,643	12,814,024
With donor restrictions	3,242,569	3,966,511
Total net assets	15,474,212	16,780,535
Total liabilities and net assets	\$ 18,622,256	\$ 20,090,125

See accompanying notes.

SPUR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019
AND COMPARATIVE TOTALS FOR 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2019 Totals</u>	<u>2018 Totals only</u>
Support and revenue				
Contributions and memberships	\$ 2,817,864	\$ -	\$ 2,817,864	\$ 2,953,430
In-kind contributions	67,379	-	67,379	115,944
Grants	312,955	1,557,815	1,870,770	2,903,749
Special events, net	1,046,307	232,000	1,278,307	1,213,814
Fee for service	206,827	-	206,827	280,962
Rental income	396,546	-	396,546	340,683
Program fees	102,371	-	102,371	78,609
Net investment return	149,093	13,959	163,052	167,590
Net assets released from restrictions	<u>2,527,717</u>	<u>(2,527,717)</u>	<u>-</u>	<u>-</u>
Total support and other revenue	7,627,059	(723,943)	6,903,116	8,054,781
Expenses				
Program services	6,483,851	-	6,483,851	5,708,045
Management and general	657,368	-	657,368	608,923
Fundraising	<u>1,068,220</u>	<u>-</u>	<u>1,068,220</u>	<u>989,499</u>
Total expenses	<u>8,209,439</u>	<u>-</u>	<u>8,209,439</u>	<u>7,306,467</u>
Change in net assets	<u>(582,380)</u>	<u>(723,943)</u>	<u>(1,306,323)</u>	<u>748,314</u>
Net assets, beginning of year	<u>12,814,023</u>	<u>3,966,512</u>	<u>16,780,535</u>	<u>16,032,221</u>
Net assets, end of year	<u>\$ 12,231,642</u>	<u>\$ 3,242,569</u>	<u>\$ 15,474,211</u>	<u>\$ 16,780,535</u>

See accompanying notes.

SPUR
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
AND COMPARATIVE TOTALS FOR 2018

	Program Services	Management and General	Fundraising	2019 Totals	2018 Totals only
Salaries	\$ 3,220,701	\$ 326,147	\$ 529,989	\$ 4,076,837	\$ 3,600,222
Payroll taxes	222,411	22,523	36,599	281,533	268,116
Employee benefits	285,444	28,906	46,972	361,322	335,372
Bad debts	31,074	3,147	5,113	39,334	38,950
Conference and meetings	9,219	934	1,517	11,670	7,247
Depreciation and amortization	303,087	30,692	49,875	383,654	482,634
Information technology	49,020	4,964	8,067	62,051	20,814
Insurance	25,072	2,539	4,126	31,737	31,069
Interest expense	55,715	5,642	9,168	70,525	73,456
Marketing and advertising	26,473	2,681	4,356	33,510	24,067
Miscellaneous expenses	26,560	2,690	4,371	33,621	70,502
Occupancy	418,083	42,338	68,799	529,220	341,806
Office expenses	76,414	7,738	12,574	96,726	141,877
Postage and shipping	62,865	6,366	10,345	79,576	95,097
Printing and reproductions	142,063	14,386	23,377	179,826	178,932
Professional fees	1,151,865	117,418	190,804	1,460,087	1,096,927
Program supplies	177,443	17,969	29,200	224,612	204,954
Telephone	47,037	4,763	7,740	59,540	50,290
Travel	153,305	15,525	25,228	194,058	244,135
	<u>\$ 6,483,851</u>	<u>\$ 657,368</u>	<u>\$ 1,068,220</u>	<u>\$ 8,209,439</u>	<u>\$ 7,306,467</u>

See accompanying notes.

SPUR
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (1,306,323)	\$ 748,314
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	383,654	482,889
Unrealized loss on investments	661	42,114
Realized gain on investments	(96)	(54,475)
Loss (gain) on donor advised fund	-	(122,916)
(Increase) decrease in assets:		
Receivables	715,278	(356,589)
Prepaid expenses	15,507	20,233
Deposits	(1,050)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(70,769)	31,661
Accrued wages	-	42,010
Accrued compensated balances	(15,453)	38,758
Accrued interest	(1,456)	(1,051)
Deferred revenue	(35,890)	20,840
Deferred rent	78,022	-
	(237,915)	891,788
Cash flows from investing activities		
Change in investments	(471,878)	(1,869,192)
Change in donor advised fund	316,766	1,100,952
Purchases of property and equipment	(73,926)	(16,186)
	(229,038)	(784,426)
Cash used for investing activities		
Cash flows from financing activities		
Change in loan payable	(116,000)	(116,000)
	(116,000)	(116,000)
Cash used for financing activities		
Decrease in cash and cash equivalents	(582,953)	(8,638)
Cash and cash equivalents, beginning of year	1,824,482	1,833,120
Cash and cash equivalents, end of year	\$ 1,241,529	\$ 1,824,482
CASH PAID DURING THE YEAR FOR:		
INTEREST	\$ 69,878	\$ 72,386

See accompanying notes.

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 1 – Summary of significant accounting policies

Organization

The San Francisco Bay Area Planning and Urban Research Association (SPUR) is a non-profit California 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 seven policy areas: community planning, economic development, good government, housing, regional planning, sustainability and resilience and transportation.
- Public Engagement – SPUR provides analysis through educational events, exhibitions, policy reports, a voter guide, a monthly publication, and a website.

Recent accounting pronouncement - adopted

Effective April 1, 2018, SPUR adopted FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not for Profit Entities*. The new pronouncement changed the presentation of certain information in the financial statements and footnote disclosures.

Recent accounting pronouncements – effective in the future

In May 2014, the FASB issued ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)*. The new guidance is effective for fiscal years beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)*. The new guidance is effective for fiscal years beginning after December 15, 2019.

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 1 – Summary of significant accounting policies (continued)

In November 2016, the FASB issued ASU 2016-18 *Statement of Cash Flows (Topic 230: Restricted Cash)*. The new guidance is effective for fiscal years beginning after December 15, 2018.

In June 2018, the FASB issued ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is effective for fiscal years beginning after December 15, 2018.

SPUR is currently evaluating the impact of these pronouncements on its financial statements.

Basis of accounting

SPUR prepared the accompanying financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). SPUR records revenues when earned and expenses when incurring the related obligation. SPUR recognizes revenues from reimbursable cost contracts when incurring the related expenses.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 1 – Summary of significant accounting policies (continued)

Fair value

SPUR uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority.

SPUR uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, SPUR measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. SPUR only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

Cash and cash equivalents

Cash and cash equivalents consist principally of amounts on deposit with commercial banks. SPUR considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Short-term investments consist principally of certificates of deposit with original maturities of twelve months or less. Long term investments consist principally of registered investment company shares (mutual funds). Investments are recorded at fair value Level 1 in the statement of financial position. Net investment return consists of interest, dividends, gain or loss on the sale of investments, and appreciation or depreciation of holding investments, net of investment management fees. SPUR recognizes net investment return when earned.

Receivables

Contributions and grants receivable consist principally of amounts due from SPUR members and several donors, all due within one year.

Other receivables consist principally of amounts expended by SPUR under cost-reimbursement contracts but not reimbursed by the contractor, all due within one year.

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 1 – Summary of significant accounting policies (continued)

Allowance for uncollectible receivables

SPUR uses the allowance method to account for uncollectible receivables. Under this method, SPUR reviews all receivables for any problems with collectability. If SPUR feels that there may be a problem with collections, it provides for an allowance for the receivable. When attempts to collect a specific receivable are unsuccessful, SPUR considers the account uncollectible and writes it off against the allowance. As of March 31, 2019, the allowance for uncollectible receivables was \$10,000.

Property and equipment

Property and equipment consist of land, building, leasehold improvements and equipment. SPUR records purchased property and equipment at cost. SPUR records donated property and equipment at fair value. SPUR computes depreciation on property and equipment using the straight-line method over estimated useful lives ranging from five years for equipment to forty years for building and improvements. SPUR generally capitalizes expenditures of \$5,000 or more.

Revenue

Fee for service contracts are conditional cost-reimbursement contracts. SPUR does not recognize support from these contracts until it fulfills the conditions, generally by expending costs and performing services to accomplish the requirements of the contracts.

For rental income, SPUR recognizes revenue when the event takes place.

SPUR earns revenue from its various programs. SPUR recognizes program revenue when the related program occurs. Payments received prior to the event are included in deferred revenue.

Contributed goods and services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized when received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended March 31, 2019, contributed goods and services totaled \$67,379.

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 1 – Summary of significant accounting policies (continued)

Special events

Special events revenue, net of direct donor benefit costs, is recognized when the fundraising event takes place.

Advertising expenses

The costs of advertising are expenses as incurred. Advertising expenses for the year ended March 31, 2019 was \$33,510.

Leases

Leases are reviewed and classified as capital or operating at the inception. For leases that contain rent escalations, SPUR records the total rent payable on a straight-line basis over the term of the lease. The difference between rent payments and straight-line rent expense is recorded as deferred rent.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although management of SPUR based these estimates on their knowledge of current events and actions they may undertake in the future, they may ultimately differ from actual results.

Income taxes

The Internal Revenue Service (IRS) and State of California Franchise Tax Board approved SPUR as exempt from federal income tax under the Internal Revenue Code (IRC) and from California bank and corporation taxes under the California Revenue and Taxation Code. In addition, the IRS approved SPUR to receive contributions that qualify for the charitable contribution deduction under the IRC and as a publicly supported organization as described in the IRC. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law. Management of SPUR concluded that no activities of SPUR jeopardized its exemption from income taxes or its classification as a “public charity”, or subjected SPUR to taxes on unrelated business income. Consequently, SPUR did not provide for any income taxes.

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 1 – Summary of significant accounting policies (continued)

SPUR follows accounting principles generally accepted in the United States relating to the accounting for uncertainty in income taxes. Adoption of these provisions did not have any impact on SPUR's accounting for unrecognized tax liabilities. Management believes that SPUR has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2016 to 2019 are open for examination by the Internal Revenue Service and years 2015 to 2019 by the California Franchise Tax Board.

Prior year totals

The columns on the accompanying financial statements captioned "Totals only" represent certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, read such information in conjunction with the financial statements as of and for the year ended March 31, 2018, from which SPUR derived the summarized information.

Allocation of functional expenses

SPUR summarizes the costs of providing various programs and other activities on a functional basis herein. Accordingly, SPUR allocated certain costs between program and supporting services based on estimates of time and usage.

Subsequent events

SPUR evaluated subsequent events for recognition and disclosure through October 1, 2019, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since March 31, 2019 that required recognition or disclosure in such financial statements.

Note 2 – Property and equipment

As of March 31, 2019, property and equipment, net of accumulated depreciation, total as follows:

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 2 – Property and equipment (continued)

Land	\$ 3,269,975
Building and improvements	11,334,780
Leasehold improvements	167,124
Library, furniture and equipment	<u>1,081,048</u>
 Total property and equipment	 15,852,927
Accumulated depreciation	<u>(3,973,200)</u>
 Property and equipment, net	 <u><u>\$ 11,879,727</u></u>

Note 3 – Investments

As of March 31, 2019, investments total as follows:

	<u>Short-term investments</u>	<u>Long-term investments</u>	<u>Totals</u>
<u>Mutual funds</u>			
Equity	\$ 320,189	\$ 1,058,027	\$ 1,378,216
Fixed income	1,317,879	646,067	1,963,946
Real estate	-	106,592	106,592
 <u>Fixed income</u>			
Bonds	<u>765,466</u>	<u>-</u>	<u>765,466</u>
	<u><u>\$ 2,403,534</u></u>	<u><u>\$ 1,810,686</u></u>	<u><u>\$ 4,214,220</u></u>

During the year ended March 31, 2019, SPUR did not transfer any investments among the different fair value input levels.

During the year ended March 31, 2019, net investment return totals as follows:

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 3 – Investments (continued)

Interest and dividend income	\$	171,253
Realized gains		96
Unrealized gains (losses)		(661)
Advisory fees		(7,636)
		(7,636)
	\$	163,052

Note 4 – 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 financed the construction of SPUR's new building in San Francisco. Partial redemptions were made between 2012 and 2016. On October 3, 2016, the remaining bonds payable 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 loan payable is subject to various financial covenants.

Principal payments under the loan payable for the years ending March 31 are as follows:

2020	\$	116,000
2021		116,000
2022		116,000
2023		116,000
2024		116,000
Thereafter		2,088,000
	\$	2,668,000

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 5 – Net assets without donor restrictions

During the year ended year ended March 31, 2019, net assets without donor restrictions reconcile as follows:

Undesignated	\$ 9,874,938
Board designated: Operations	1,104,321
Board designated: Building fund	328,825
Board designated: Capital replacement	200,124
Board designated: Quasi-endowment	<u>723,435</u>
	<u><u>\$ 12,231,643</u></u>

Note 6 – Net assets with donor restrictions

During the year ended year ended March 31, 2019, net assets with donor restrictions reconcile as follows:

<u>Purpose restricted</u>	<u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>2019</u>
<u>Activity</u>				
Regional strategy	\$ 1,680,000	949,846	(1,034,230)	1,595,616
Regional work	165,000	-	(165,000)	-
San Francisco	325,400	10,000	(220,000)	115,400
San Jose	250,000	255,000	(350,000)	155,000
Food system	303,183	342,969	(420,513)	225,639
Piero N. Patri Fellowship (interest)	<u>12,206</u>	<u>6,212</u>	<u>-</u>	<u>18,418</u>
Total program restricted net assets	2,735,789	1,564,027	(2,189,743)	2,110,073
<u>Time restricted</u>	489,024	239,747	(301,640)	427,131
<u>Perpetual in nature</u>				
Board designated endowment	560,601	-	(36,334)	524,267
Piero N. Patri Fellowship	<u>181,098</u>	<u>-</u>	<u>-</u>	<u>181,098</u>
	<u>741,699</u>	<u>-</u>	<u>(36,334)</u>	<u>705,365</u>
	<u>\$ 3,966,512</u>	<u>\$ 1,803,774</u>	<u>\$ (2,527,717)</u>	<u>\$ 3,242,569</u>

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 7 – Endowment funds

Endowment funds consist of both donor-restricted funds that SPUR must hold in perpetuity or for a donor-specified period and board-designated funds. Donor-restricted funds consist of the Piero N. Patri Fellowship in Urban Design funds. The income generated from the Fellowship is to be used to fund students or post-graduate fellows to work on projects selected by SPUR. The Board-designated funds generates income to be used to fund operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

SPUR is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. SPUR's board has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, SPUR would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. SPUR has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

In accordance with SPMIFA, SPUR considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the funds
2. The purposes of SPUR and the endowment funds
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of SPUR
7. The investment policy of SPUR

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 7 – Endowment funds (continued)

SPUR has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. The investment policy of SPUR is to preserve and protect assets of the organization while earning an appropriate rate of return of each category of assets. The goals that will govern SPUR's investment activities are, in order of priority:

1. Safety and preservation of principal
2. Liquidity of investments sufficient to meet cash flow requirements
3. To maximize return on investments while meeting objectives 1 and 2 above

Board designated endowment funds are subject to redesignations at any time, including redesignations as other than endowment funds.

As of March 31, 2019, endowment funds total as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Totals
Donor restricted	\$ -	\$ 723,783	\$ 723,783
Board designated	723,435	-	723,435
	\$ 723,435	\$ 723,783	\$ 1,447,218

The composition of endowment net assets and the changes in endowment net assets as of March 31, 2019, are as follows:

Endowment net assets, March 31, 2018	\$ 823,435	\$ 753,905	\$ 1,577,340
Investment return, net	-	6,212	6,212
Appropriations for expenditure	-	(36,334)	(36,334)
Board designations (undesignations)	(100,000)	-	(100,000)
Endowment net assets, March 31, 2019	\$ 723,435	\$ 723,783	\$ 1,447,218

SAN FRANCISCO BAY AREA PLANNING AND URBAN RESEARCH ASSOCIATION
Notes to Financial Statements
March 31, 2019

Note 8 – 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 holds the Good Government Awards honoring public sector managerial leadership, as well as the Summer Parties and Impact Awards.

Special events for the year ended March 31, 2019 consist of the following:

	Silver SPUR	Good Government Awards	Other events	Total
Support and revenue	\$ 893,497	\$ 189,634	\$ 505,728	\$ 1,588,859
Direct donor-benefit costs	<u>141,017</u>	<u>46,062</u>	<u>123,473</u>	<u>310,552</u>
Special events, net	<u>\$ 752,480</u>	<u>\$ 143,572</u>	<u>\$ 382,255</u>	<u>\$ 1,278,307</u>

Note 9 – Rental income and expense

SPUR leases office space in San Jose and Oakland. The leases are under operating lease agreements with fixed annual increases that expire between June 2022 and December 2025. During the year ended March 31, 2019, facility rent totaled \$315,040. Future minimum rental payments due for the years ending March 31 are as follows:

2020	\$ 201,182
2021	206,826
2022	212,608
2023	179,945
2024	172,365
Thereafter	<u>313,662</u>
	<u>\$ 1,286,588</u>

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Note 9 – Rental income and expense (continued)

SPUR rents certain of its San Francisco and Oakland facilities on a short-term or daily use basis for special events. In addition, SPUR subleases a portion of its Oakland office. The sublease calls for fixed annual increases and it expires December 2020. During the year ended March 31, 2019, rental income totaled \$396,546. Future minimum rental payment receivable due for the years ending March 31 are as follows:

2020	\$ 66,060
2021	<u>60,652</u>
	<u>\$ 126,712</u>

Note 10 – Retirement plan

SPUR offers a retirement plan under section 403(b) of the Internal Revenue Code. Employees may elect to defer a portion of their salary into the plan. SPUR may match or otherwise contribute additional amounts for the benefit of those employees meeting certain participation criteria. The funds are used to purchase an annuity contract with the Teachers Insurance and Annuity Association of America. During the year ended March 31, 2019, SPUR contributed \$93,957 to the plan.

Note 11 – Liquidity and availability of financial assets

The following reflects SPUR's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside as an endowment, and board designated building fund that could be drawn upon if the Board of directors approves that action.

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Note 11 – Liquidity and availability of financial assets (continued)

Financial assets, at year-end:	
Cash and cash equivalents	\$ 1,241,529
Receivables	1,218,267
Investments	<u>4,214,220</u>
	6,674,016
Less those unavailable for general expenditures within one year, due to:	
Donor restricted to maintain as an endowment	705,365
Donor restricted for specific purpose	18,418
Donor restricted for specific period	195,131
Board designated to maintain as an endowment	723,435
Board designated for building fund	328,825
Board designated for operating reserve	1,104,321
Board designated for capital reserve	200,124
Undesignated	<u>173,135</u>
	<u>3,448,754</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,225,262</u></u>

As part of its liquidity management, SPUR invests cash in excess of daily requirements in short-term and long-term investments.

Note 12 – Risks and uncertainties

Cash and cash equivalents held by commercial banks exceeded federal deposit insurance limits at various times during the year ended March 31, 2019.

Two investment firms hold all the investments of SPUR and make investment decisions for SPUR, based on investment policies approved by the board of directors of SPUR.

Investments held by the investment firm exceeded Securities Investor Protection Corporation at various times during the year ended March 31, 2019 .

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Note 12 – Risks and uncertainties (continued)

Investments are subject to credit, interest rate and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Interest rate risk is the risk that interest rates in the market will change relative to the interest rates earned on SPUR investments. Market risk is the inherent change in the fair value of an investment due to changes in conditions. SPUR manages risk to its investments by periodically reviewing investments for compliance with their investment policy and investment returns for comparability to the general market and specific investment class returns.

Receivables are subject to collection risk. Collection risk is the probability that the financial condition or other circumstances of a contractor/grantor may change, reducing or eliminating the subsequent collection of receivables.

SPUR has received support that may be subject to audit or review by the grantor agencies. Management believes that SPUR has complied with all aspects of grant and contract provisions and disallowed costs, if any, would be insignificant to its financial position.