



UNION SQUARE
BUSINESS IMPROVEMENT
DISTRICT

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2015
(With Summarized Comparative Totals for 2014)

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LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Union Square Business Improvement District
San Francisco, California

We have audited the accompanying financial statements of *Union Square Business Improvement District* (the USBID), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

To the Board of Directors
Union Square Business Improvement District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Union Square Business Improvement District* as of June 30, 2015, 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

We have previously audited the *Union Square Business Improvement District's* 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lautze & Lautze



San Francisco, California
September 24, 2015

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION

June 30, 2015

(With Summarized Comparative Totals for 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 2,508,643	\$ 1,966,727
Grants receivable	63,171	29,601
Assessments and accounts receivable, net	305,265	110,059
Prepaid expenses and other assets	32,511	16,349
Certificates of deposit	1,074,149	-
Furniture and equipment, net	273,508	103,416
Total assets	\$ 4,257,247	\$ 2,226,152
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 375,871	\$ 285,441
Accrued salaries and benefits	4,787	6,882
Total liabilities	380,658	292,323
Commitments		
Net assets:		
Unrestricted	1,861,835	1,880,602
Temporarily restricted	2,014,754	53,227
Total net assets	3,876,589	1,933,829
Total liabilities and net assets	\$ 4,257,247	\$ 2,226,152

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015
(With Summarized Comparative Totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and other support:				
Assessment revenue	\$ 3,279,352	\$ -	\$ 3,279,352	\$ 3,202,318
Grants	1,114,644	1,993,356	3,108,000	33,000
Special events	126,473	-	126,473	85,875
Contributions	41,039	19,507	60,546	49,340
Interest income	243	-	243	293
Net assets released from restrictions	51,336	(51,336)	-	-
Total revenue and other support	<u>4,613,087</u>	<u>1,961,527</u>	<u>6,574,614</u>	<u>3,370,826</u>
Expenses:				
Program	4,059,073	-	4,059,073	2,863,605
Management and administrative	539,349	-	539,349	429,427
Fundraising	33,432	-	33,432	30,475
Total expenses	<u>4,631,854</u>	<u>-</u>	<u>4,631,854</u>	<u>3,323,507</u>
Change in net assets	(18,767)	1,961,527	1,942,760	47,319
Net assets:				
Beginning of year	<u>1,880,602</u>	<u>53,227</u>	<u>1,933,829</u>	<u>1,886,510</u>
End of year	<u>\$ 1,861,835</u>	<u>\$ 2,014,754</u>	<u>\$ 3,876,589</u>	<u>\$ 1,933,829</u>

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

(With Summarized Comparative Totals for 2014)

	2015			2014	
	Program	Management and Administrative	Fundraising	Total	Total
Contract clean and safe services	\$ 2,078,937	\$ -	\$ -	\$ 2,078,937	\$ 2,119,991
Silicon Valley Community Foundation grant expenses	1,046,054	-	-	1,046,054	-
Salaries and wages	225,967	170,515	-	396,482	367,307
Accounting, legal, and support	14,264	187,907	-	202,171	186,634
Special events and activation	156,886	-	32,458	189,344	109,817
Marketing and promotion	147,573	-	-	147,573	167,230
Streetscape improvements	123,920	-	-	123,920	77,560
Clean and Safe operating expenses and projects	105,993	-	-	105,993	12,363
Depreciation	66,385	6,465	-	72,850	37,869
Rent and utilities	-	69,069	-	69,069	50,835
Payroll taxes and benefits	21,803	27,802	-	49,605	49,308
Public affairs, advocacy, and Union Square Cares	41,017	-	-	41,017	48,374
Insurance, permits, and fees	10,521	27,964	-	38,485	19,147
In-kind services	18,385	10,810	-	29,195	47,313
Meeting expenses and travel	1,015	14,330	-	15,345	11,251
Printing expenses	-	11,732	-	11,732	4,418
Office supplies and expenses	-	8,836	-	8,836	9,862
Office equipment lease	-	3,482	-	3,482	3,484
Bank fees and interest expense	353	437	974	1,764	744
	<u>\$ 4,059,073</u>	<u>\$ 539,349</u>	<u>\$ 33,432</u>	<u>\$ 4,631,854</u>	<u>\$ 3,323,507</u>

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

(With Summarized Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,942,760	\$ 47,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,850	37,869
(Increase) decrease in assets:		
Assessments receivable	(195,206)	(4,772)
Grants receivable	(33,570)	5,300
Prepaid expenses and other assets	(16,162)	(2,752)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	41,283	(9,304)
Accrued salaries and benefits	(2,095)	1,231
Deferred revenue	-	(23,242)
	<u>1,809,860</u>	<u>51,649</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of certificates of deposit	(1,074,149)	-
Purchase of furniture and equipment	(193,795)	(64,089)
	<u>(1,267,944)</u>	<u>(64,089)</u>
Net cash used by investing activities		
Net increase (decrease) in cash and cash equivalents	541,916	(12,440)
Cash and cash equivalents:		
Beginning of year	<u>1,966,727</u>	<u>1,979,167</u>
End of year	<u>\$ 2,508,643</u>	<u>\$ 1,966,727</u>

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

The Union Square Business Improvement District (the USBID) was formed in 1999 by property owners and merchants to improve the image and economic vitality of the Union Square area by providing cleaning and maintenance and public safety programs to a 10 block area.

The USBID renewed its contract with the City and County of San Francisco (the City) for a ten year term on July 1, 2009.

Effective with the renewal, the USBID expanded the district from the original ten blocks to twenty-seven whole or partial blocks, representing nearly 600 parcel owners in the district. The USBID also expanded services and added marketing, advocacy, beautification and capital improvement programs.

The USBID exists to provide services that assure a positive experience of Union Square so that Union Square will maintain its ranking as one of the top destinations in the world, that the district will be equally enjoyed by residents and workers, and that this experience will enhance the district's economic base and be reflected in positive property values for the USBID's members.

The USBID's mission statement is as follows:

We enhance the visitor experience and business environment, making Union Square the #1 destination in the world.

Programs and services provided by the USBID are:

Clean and Safe:

- Community Service Ambassadors – Ambassadors walk throughout the USBID to greet and assist the public with information and directions, and guide those in need of social services to appropriate resources. Ambassadors are on duty 5:30am to 11:00pm daily.
- 10B Police Officers – 10B Police officers are on patrol in the district 10 hours daily to respond to members' needs and manage other quality of life issues in the district.
- Cleaning and Graffiti Removal – Maintenance staff are on duty daily from 7:00am to 8:30pm to clean litter from sidewalks and to remove graffiti. Each sidewalk in the district is steam cleaned every 2 weeks.

Silicon Valley Community Foundation Grant:

- In December 2014, the USBID received a \$3,000,000 grant from a donor advised fund of the Silicon Valley Community Foundation (SVCF). This grant was for the purpose of providing additional San Francisco Police Department patrols (through the 10B program) and for expanding the security camera program of the USBID. Accordingly, the USBID spent \$1,046,054 on grant related expenses (mostly SFPD) in the 14-15FY thus increasing the amount of program related expenses for the year.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purpose and Organization (Continued)

Other:

- Marketing, Streetscapes, and Beautification – Promoting the Union Square area and its interests through events, digital and traditional marketing programs and public relations, décor and other improvements to beautify the area.
- Public Affairs Advocacy – Advocating public policy and services to ensure the economic vitality of the district.

Basis of Accounting

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

Classification of Net Assets

U.S. GAAP requires that the USBID report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the USBID are classified and reported as described below:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support the USBID's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2015, the USBID did not have any net assets meeting the definition of permanently restricted.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The USBID considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Assessments Receivable

Assessments receivable represent obligations of local property owners due to the USBID. Unpaid receivables do not accrue interest.

The USBID uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on historical experience and an evaluation of the outstanding receivables at the end of the year. As of June 30, 2015, the allowance for uncollectible assessments was approximately \$29,000.

Certificates of Deposit

The USBID's investments in certificates of deposit are carried at fair value based upon quoted market prices.

Furniture and Equipment

The USBID capitalizes acquisitions of furniture and equipment with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 7 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Assessment Revenue

The USBID receives its support primarily from a special assessment levied by the City on properties located within the USBID in accordance with City Ordinance. The assessment is recorded by the USBID when earned. The City remits the assessment monies to the USBID as the assessments are collected from the property owners. Interest is not charged on late assessments, however late penalties are charged in accordance with the City's policy.

Contributions

The USBID recognizes all contributions when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of restriction. Contributions with donor-imposed restrictions and investment income generated from such investments that are complied within the year of receipt are reported as unrestricted support.

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

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the USBID reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The USBID reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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

For the year ended June 30, 2015, the USBID received contributed goods and services in the amount of \$29,195.

Advertising

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended June 30, 2015 was \$18,000 and has been included in *marketing and promotion* on the statement of functional expenses.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The USBID is a qualified organization exempt from federal and state income taxes under §501(c)(4) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively.

The USBID recognizes a threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. For tax-exempt entities, favorable tax status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements.

The USBID's evaluation on June 30, 2015 revealed no tax positions that would have a material impact on the financial statements. The 2011 through 2014 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2010 through 2014 tax years remain subject to examination by the California Franchise Tax Board. The USBID does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Concentrations of Risk

Financial Instruments

Financial instruments which potentially subject the USBID to concentrations of credit risk consist principally of cash and cash equivalents. The USBID maintains its cash in various bank deposit accounts. The USBID has a policy requiring all funds be fully insured. Management believes that the USBID is not exposed to any significant credit risk related to concentrations.

Assessments Receivable

As of June 30, 2015, 35% of the assessments receivable were due from three property owners.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis for the year ended June 30, 2015 in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Comparative Financial Information

The financial statements include 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, such information should be read in conjunction with the USBID's financial statements as of June 30, 2014 and for the year then ended, from which the summarized information was derived.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued new guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and its international counterpart, IFRS 15, to provide sweeping, new, globally applicable converged guidance concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. The FASB also issued ASU 2015-14 which deferred the effective date. The guidance is applicable for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

2. FAIR VALUE MEASUREMENTS

The USBID's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

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

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

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

The following is a description of the valuation methodology used for assets measured at fair value.

Certificates of deposit: The fair value of fixed income securities is estimated using recently executed transactions or market price quotations (where observable). These securities are classified within Level 2 of the fair value hierarchy.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides information as of June 30, 2015 about the USBID's financial assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Certificates of deposit	\$ -	\$ 1,074,149	\$ -	\$ 1,074,149
	\$ -	\$ 1,074,149	\$ -	\$ 1,074,149

3. GRANTS RECEIVABLE

Grants receivable at June 30, 2015 consist of the following:

IDA Conference	\$ 50,000
Powell Street Promenade Maintenance	13,171
	\$ 63,171

The IDA Conference is funded by the City. The Powell Street Promenade Maintenance project is funded by an annual grant of \$33,000 from Audi of America. The grants are payable to the USBID as eligible costs are incurred.

4. FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2015 consist of the following:

Furniture and equipment	\$ 352,261
Less accumulated depreciation	(133,378)
	218,883
Equipment not yet placed in service	54,625
	\$ 273,508

For the year ended June 30, 2015, depreciation expense was \$72,850.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

5. LINE OF CREDIT

The USBID obtained a revolving line of credit from Wells Fargo on December 1, 2014, due to expire on December 5, 2015, for a maximum borrowing amount of \$500,000. Interest is payable at the prime rate plus 1.25% (4.25% at June 30, 2015). The line of credit is secured by the USBID's inventory and equipment. The line of credit contains certain nonfinancial covenants. The USBID did not borrow from the line of credit during the year ended June 30, 2015.

6. UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2015 are as follows:

Undesignated	\$ 1,424,135
Board designated:	
Management and administration	207,173
Streetscape projects	74,554
Advocacy	69,518
Net investment in furniture and equipment	<u>86,455</u>
	<u><u>\$ 1,861,835</u></u>

The USBID does not receive the first assessment payment for its fiscal year until January, thus it is incumbent on the USBID to maintain approximately eight months of operating capital at the end of each fiscal year to support operations until the first payment is received in the next fiscal year. This policy will also provide for the USBID to dissolve the entity in a timely manner should its contract with the City to provide services not be renewed in June 2019.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 are available for the following purposes:

Police patrols and security cameras (SVCF Grant and Donations)	\$ 1,962,863
IDA Conference	50,000
Other	<u>1,891</u>
	<u><u>\$ 2,014,754</u></u>

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses which satisfied the restricted purposes during the year ended June 30, 2015, as follows:

Marketing	\$	47,180
Maiden Lane Improvements		4,156
		\$ 51,336

9. COMMITMENTS

Leases

The USBID was obligated under non-cancelable operating lease agreements for its office, conference room, and storage. The lease term is October 1, 2013 through September 30, 2016.

In January 2015, the USBID entered into a non-cancelable operating lease agreement for its operations offices. The lease term is January 25, 2015 through September 30, 2016.

The USBID also leases equipment. The lease term is August 15, 2012 through November 15, 2015.

The following is a schedule of minimum lease commitments for the years ending June 30:

	Facility	Equipment	Total
2016	\$ 121,720	\$ 1,314	\$ 123,034
2017	32,506	-	32,506
	\$ 154,226	\$ 1,314	\$ 155,540

Rent expense for the year ended June 30, 2015 was \$77,649.

Grant

On June 16, 2015, the USBID entered into a sub-grant agreement with the Central Market Community Benefit District (the CMCBD) for the purpose of purchasing, installing, operating, and maintaining security cameras and related equipment in the CMCBD. The term of the agreement is July 1, 2015 through June 30, 2017. The USBID is to advance payment to the CMCBD based on evidence of progress on the project.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

10. RELATED PARTY TRANSACTIONS

MJM Management Group (MJM), the former primary service provider for the Clean and Safe services of the USBID, rented office space at 870 Market Street. James Flood, one of the USBID's Board of Directors, has an ownership interest in the building. One of the USBID's Board of Directors is a consultant for MJM. During the year ended June 30, 2015, the amount paid to MJM for Clean and Safe services was approximately \$1,300,499. The USBID employs the daughter of one of the USBID's Board of Directors. She also has an ownership interest in the building at 870 Market Street. Effective February 1, 2015, the USBID changed service provider from MJM to Block by Block.

The USBID has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each Board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the USBID does business with an entity in which a Board member has a material financial interest. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the USBID, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the USBID, in accordance with applicable conflict of interest laws. When a conflict of interest does exist, all affected parties (Board members or staff) must refrain from the decision-making process and abstain from the voting process.

11. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Equipment purchases of \$49,147 were in *accounts payable and accrued expenses* at June 30, 2015.

12. SUBSEQUENT EVENTS

The USBID has evaluated all subsequent events through September 24, 2015, the date the financial statements were available to be issued.