



UNION SQUARE  
BUSINESS IMPROVEMENT  
DISTRICT

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

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**INDEPENDENT AUDITORS' REPORT**

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of Union Square Business Improvement District (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 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.

***Auditors' 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 auditors' 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 Union Square Business Improvement District as of June 30, 2016, 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 2015 financial statements of Union Square Business Improvement District were audited by Lautze & Lautze CPA's & Financial Advisors whose practice was combined with Marcum LLP as of June 1, 2016, and whose report dated September 24, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

San Francisco, California  
September 22, 2016

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 566,574	\$ 2,508,643
Promises to give	11,098	63,171
Assessments and accounts receivable, net	32,424	305,265
Prepaid expenses and deposits	70,432	32,511
Certificates of deposit	2,225,658	1,074,149
Furniture and equipment, net	<u>857,807</u>	<u>273,508</u>
<b>Total Assets</b>	<u>\$ 3,763,993</u>	<u>\$ 4,257,247</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 299,703	\$ 375,871
Grants payable	87,500	--
Accrued benefits	10,247	4,787
Deferred revenue	<u>15,918</u>	<u>--</u>
<b>Total Liabilities</b>	<u>413,368</u>	<u>380,658</u>
<b>Net Assets</b>		
Unrestricted	1,773,636	1,861,835
Temporarily restricted	<u>1,576,989</u>	<u>2,014,754</u>
<b>Total Net Assets</b>	<u>3,350,625</u>	<u>3,876,589</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,763,993</u>	<u>\$ 4,257,247</u>

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

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

	Unrestricted	Temporarily Restricted	2016	2015
<b>Revenue and Other Support</b>				
Assessment revenue	\$ 3,410,053	\$ --	\$ 3,410,053	\$ 3,279,352
Contributions	2,724,185	529,572	3,253,757	3,168,546
Special event	113,750	--	113,750	126,473
Interest income	2,389	--	2,389	243
Net assets released from restrictions	<u>967,337</u>	<u>(967,337)</u>	<u>--</u>	<u>--</u>
<b>Total Revenue and Other Support</b>	<u>7,217,714</u>	<u>(437,765)</u>	<u>6,779,949</u>	<u>6,574,614</u>
<b>Expenses</b>				
Program	6,595,794	--	6,595,794	4,059,073
Management and administrative	674,481	--	674,481	539,349
Fundraising	<u>35,638</u>	<u>--</u>	<u>35,638</u>	<u>33,432</u>
<b>Total Expenses</b>	<u>7,305,913</u>	<u>--</u>	<u>7,305,913</u>	<u>4,631,854</u>
<b>Change in Net Assets</b>	<u>(88,199)</u>	<u>(437,765)</u>	<u>(525,964)</u>	<u>1,942,760</u>
<b>Net Assets - Beginning</b>	<u>1,861,835</u>	<u>2,014,754</u>	<u>3,876,589</u>	<u>1,933,829</u>
<b>Net Assets - Ending</b>	<u>\$ 1,773,636</u>	<u>\$ 1,576,989</u>	<u>\$ 3,350,625</u>	<u>\$ 3,876,589</u>

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

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

		Program	Management and Administrative	Fundraising	2016	2015
Silicon Valley Community Foundation grants expenses	\$	3,181,072	\$ --	\$ --	\$ 3,181,072	\$ 1,046,054
Contract clean and safe services		2,042,595	--	--	2,042,595	2,078,937
Salaries and wages		308,786	208,744	--	517,530	396,482
Accounting, legal, and support		55,752	270,677	750	327,179	202,171
Public realm improvement projects		177,138	--	--	177,138	123,920
Clean and Safe operating expenses and projects		163,935	--	--	163,935	105,993
Marketing and promotion		136,289	--	--	136,289	147,573
In-kind services		117,635	9,185	--	126,820	29,195
Special events and activation		65,375	--	33,941	99,316	189,344
Rent and utilities		--	81,574	--	81,574	69,069
Payroll taxes and benefits		35,133	30,322	--	65,455	49,605
Depreciation		252,375	8,640	--	261,015	72,850
Public affairs, advocacy, and Union Square Cares		45,960	--	--	45,960	41,017
Insurance, permits, and fees		9,675	30,407	--	40,082	38,485
Meeting expenses, conferences, and travel		3,908	14,562	--	18,470	15,345
Office supplies and expenses		81	11,490	--	11,571	8,836
Printing expenses		42	4,724	--	4,766	11,732
Office equipment lease		--	3,843	--	3,843	3,482
Bank fees and interest expense		43	313	947	1,303	1,764
<b>Total</b>	<b>\$</b>	<b>6,595,794</b>	<b>\$ 674,481</b>	<b>\$ 35,638</b>	<b>\$ 7,305,913</b>	<b>\$ 4,631,854</b>

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

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Cash Flows Provided By (Used In) Operating Activities</b>		
Change in net assets	\$ (525,964)	\$ 1,942,760
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for uncollectible assessments	(18,910)	--
Depreciation	261,015	72,850
Changes in Operating Assets and Liabilities		
Promises to give	52,073	(33,570)
Assessments and accounts receivable	291,751	(195,206)
Prepaid expenses and deposits	(37,921)	(16,162)
Accounts payable and accrued expenses	(76,168)	41,283
Grants payable	87,500	--
Accrued benefits	5,460	(2,095)
Deferred revenue	15,918	--
<b>Net Cash Provided By Operating Activities</b>	<u>54,754</u>	<u>1,809,860</u>
<b>Cash Flows Provided By (Used In) Investing Activities</b>		
Proceeds on sale/maturity of certificates of deposit	1,074,149	--
Purchase of certificates of deposit	(2,225,658)	(1,074,149)
Purchase of furniture and equipment	(845,314)	(193,795)
<b>Net Cash (Used In) Investing Activities</b>	<u>(1,996,823)</u>	<u>(1,267,944)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,942,069)	541,916
<b>Cash and Cash Equivalents - Beginning</b>	<u>2,508,643</u>	<u>1,966,727</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 566,574</u>	<u>\$ 2,508,643</u>

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



# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 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 District). The USBID aims 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 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's mission statement is as follows:

The Union Square BID serves members and creates a high quality visitor experience by managing and activating public spaces, attracting new investment and advocating for the District's future success.

Major programs and services provided by the USBID are:

Clean and Safe:

- Safety and Hospitality 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 5:30am to 8:30pm to clean litter from sidewalks and to remove graffiti. Each sidewalk in the District is steam cleaned every 2 weeks.

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PURPOSE AND ORGANIZATION (CONTINUED)*

Silicon Valley Community Foundation:

- As a result of contributions from donor advised funds of the Silicon Valley Community Foundation, the USBID has been able to provide additional San Francisco Police Department (SFPD) patrols through the 10B program and expand the security camera project.

Other:

- Public Realm Improvements, Marketing, and Events – Promoting the Union Square area and its interests through events, digital and traditional marketing programs and public relations, public realm improvements, décor and other programs to beautify the area.
- Public Affairs Advocacy – Advocating public policy and services to ensure the economic vitality of the district.
- Union Square Cares – A program to provide homeless services and outreach and member education to help alleviate homelessness in Union Square.

#### *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 regardless of the timing of cash flows.

#### *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.

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *CLASSIFICATION OF NET ASSETS (CONTINUED)*

*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, 2016, the USBID did not have any net assets meeting the definition of permanently restricted.

#### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short-term maturity of these instruments.

#### *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.

#### *PROMISES TO GIVE*

Unconditional promises to give are recognized as revenues in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor imposed restrictions, if any, on the contributions.

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PROMISES TO GIVE (CONTINUED)*

The USBID uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has reviewed and evaluated the outstanding promises to give and considers them fully collectible; therefore management has determined that no allowance is necessary as of June 30, 2016.

#### *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, 2016, the allowance for uncollectible assessments was approximately \$6,000.

#### *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 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 and changes in net assets.

#### *ACCRUED VACATION*

Full-time employees may accrue up to 19 hours per month depending on the number of years employed. Part-time employees accrue vacation on a prorated basis. Employees can accrue a maximum of 150% of their annual vacation accrual.

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 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 assessed by the City. The City remits the assessment 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 with 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 and changes in net assets. 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 over the estimated useful lives of the donated assets. The USBID reclassifies temporarily restricted net assets to unrestricted net assets at that time. There were no donations of material and equipment for the year ended June 30, 2016.

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, 2016, the USBID recognized contributed goods and services in the amount of \$136,320.

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *ADVERTISING*

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended June 30, 2016 was \$8,898 and has been included in *marketing and promotion* in the statement of functional expenses.

#### *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, 2016 revealed no tax positions that would have a material impact on the financial statements.

The USBID's tax returns are subject to examination by federal and state taxing authorities. However, management is unaware of any pending examinations nor are there any in progress.

#### *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.

#### *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, 2016 in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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, 2015 and for the year then ended, from which the summarized information was derived.

#### *RECLASSIFICATIONS*

Certain amounts in the summarized comparative totals for 2015 have been reclassified to conform to the 2016 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

### NOTE 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.

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

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.

The following table provides information as of June 30, 2016, about the USBID's financial assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
<b>Assets at Fair Value</b>				
Certificates of deposit	\$ --	\$ 2,225,658	\$ --	\$ 2,225,658

### NOTE 3 - PROMISES TO GIVE

The promise to give at June 30, 2016, is the balance due from a \$33,000 contribution from Audi of America (Audi), restricted for maintenance of the Powell Street Promenade. The balance of \$11,098 is due to be received during the year ended June 30, 2017.

### NOTE 4 - FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2016, consist of the following:

Furniture and equipment	\$ 1,205,105
Less accumulated depreciation	<u>(394,393)</u>
	810,712
Equipment not yet placed in service	<u>47,095</u>
<b>Total</b>	<b>\$ <u>857,807</u></b>



# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

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#### NOTE 5 - LINE OF CREDIT

The USBID renewed a revolving line of credit with Wells Fargo on December 1, 2015, which expires on February 5, 2017, for a maximum borrowing amount of \$500,000. Interest is payable at the greater of the prime rate plus 1.25% (4.75% at June 30, 2016) or the floor rate of 4.50%. The line of credit is secured by the USBID's inventory, accounts receivable, and equipment. The USBID did not borrow from the line of credit during the year ended June 30, 2016.

#### NOTE 6 - UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2016, consist of the following:

Undesignated	\$ 1,529,018
Board designated:	
Streetscape projects	95,709
Advocacy	58,519
Management and administration	53,315
Net investment in furniture and equipment	<u>37,075</u>
<b>Total</b>	<b><u>\$ 1,773,636</u></b>

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.

#### NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016, consist of the following:

Police patrols and security cameras	\$ 753,308
Net investment in furniture and equipment (security cameras)	820,732
Others	<u>2,949</u>
<b>Total</b>	<b><u>\$ 1,576,989</u></b>

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 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, 2016, as follows:

Police patrols and security cameras	\$ 917,337
IDA Conference	<u>50,000</u>
<b>Total</b>	<b><u>\$ 967,337</u></b>

### NOTE 9 - GRANTS

On June 16, 2015, the USBID entered into a sub-grant agreement for \$350,000 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 advances payment to the CMCBD based on evidence of progress on the project.

On November 2, 2015, the USBID entered into a sub-grant agreement for \$350,000 with the North of Market/Tenderloin Community Benefit District (the TLCBD) for the purpose of purchasing, installing, operating, and maintaining security cameras and related equipment in the TLCBD. The term of the agreement is November 2, 2015 through June 30, 2017. The USBID advances payment to the TLCBD based on evidence of progress on the project.

Grants payable at June 30, 2016, was \$87,500. USBID is also committed to an additional \$87,500 on each sub-grant, due upon evidence that the respective project is 75% complete.

### NOTE 10 - COMMITMENTS

The USBID was obligated under non-cancelable operating lease agreements for its office, operations office, conference room, and storage. The lease term is October 1, 2013 through September 30, 2016. Subsequent to September 30, 2016, the USBID will lease the space on a month-to-month basis.

The USBID also leases equipment under an agreement with a term from November 20, 2015 through February 20, 2019.

# UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

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#### NOTE 10 - COMMITMENTS (CONTINUED)

The following is a schedule of minimum lease commitments:

For the Years Ending June 30,	Facility	Equipment	Total
2017	\$ 32,506	\$ 4,320	\$ 36,826
2018	--	4,320	4,320
2019	<u>--</u>	<u>3,240</u>	<u>3,240</u>
<b>Total</b>	<u>\$ 32,506</u>	<u>\$ 11,880</u>	<u>\$ 44,386</u>

Rent expense for the year ended June 30, 2016, was \$71,268.

#### NOTE 11 - RELATED PARTY TRANSACTIONS

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. 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.

A member of the USBID's Board of Directors is also associated with an organization that received a sub-grant in the amount of \$350,000 from the USBID (Note 9). \$262,500 was paid to the organization during the year ended June 30, 2016.

#### NOTE 12 - SUBSEQUENT EVENTS

In August 2016, the USBID approved an agreement with Audi that Audi shall pay \$125,000 to USBID toward the cost of maintenance of the Powell Street Promenade (Note 3), including disassembly, removal, and discard of the project that features any trademark or brand of Audi.

The USBID has evaluated subsequent events through September 22, 2016, the date the financial statements were available to be issued. Other than the disclosure above, no other events requiring recognition or disclosure in the financial statements were identified.