

**UNION
SQUARE
ALLIANCE**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

UNION SQUARE ALLIANCE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Union Square Business Improvement District
(dba Union Square Alliance)

Report on the Financial Statements

We have audited the accompanying financial statements of Union Square Business Improvement District (dba Union Square Alliance) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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.

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 (dba Union Square Alliance) as of June 30, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
September 29, 2021

UNION SQUARE ALLIANCE
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,960,087	\$ 1,354,805
Assessments receivable, net	66,293	54,664
Other receivables	132,017	62,705
Prepaid expenses and deposits	165,146	277,645
Investments	499,988	1,000,185
Furniture and equipment, net	439,497	312,758
Total Assets	\$ 3,263,028	\$ 3,062,762
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 638,695	\$ 585,045
Accrued payroll and accrued vacation	84,684	56,284
Notes payable	300,629	133,590
Contract liabilities	3,000	8,305
Deferred rent	11,730	--
Total Liabilities	1,038,738	783,224
Net Assets		
Without donor restrictions	2,224,290	2,200,303
With donor restrictions	--	79,235
Total Net Assets	2,224,290	2,279,538
Total Liabilities and Net Assets	\$ 3,263,028	\$ 3,062,762

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

UNION SQUARE ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Revenue and Support				
Assessment revenue	\$ 6,022,492	\$ --	\$ 6,022,492	\$ 6,025,030
In kind donations	351,736	--	351,736	395,644
Contributions	270,249	66,134	336,383	72,620
Payroll Protection Program loan forgiveness	134,479	--	134,479	--
Contract revenue	115,185	--	115,185	274,147
Sponsorships	23,538	--	23,538	29,125
Interest income	473	--	473	18,337
Net assets released from restrictions				
Satisfaction of purpose restrictions	<u>145,369</u>	<u>(145,369)</u>	<u>--</u>	<u>--</u>
Total Revenue and Support	<u>7,063,521</u>	<u>(79,235)</u>	<u>6,984,286</u>	<u>6,814,903</u>
Expenses				
Program Services:				
Clean and Safe	4,603,905	--	4,603,905	4,335,872
Marketing, Public Realm and Advocacy	1,000,047	--	1,000,047	922,298
Security Camera	349,678	--	349,678	273,024
Union Square Park	<u>248,443</u>	<u>--</u>	<u>248,443</u>	<u>--</u>
Total Program Services	6,202,073	--	6,202,073	5,531,194
Management and general	761,263	--	761,263	705,005
Fundraising	<u>76,198</u>	<u>--</u>	<u>76,198</u>	<u>89,856</u>
Total Expenses	<u>7,039,534</u>	<u>--</u>	<u>7,039,534</u>	<u>6,326,055</u>
Change in Net Assets	23,987	(79,235)	(55,248)	488,848
Net Assets, Beginning of Year	<u>2,200,303</u>	<u>79,235</u>	<u>2,279,538</u>	<u>1,790,690</u>
Net Assets, End of Year	<u>\$ 2,224,290</u>	<u>\$ --</u>	<u>\$ 2,224,290</u>	<u>\$ 2,279,538</u>

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

UNION SQUARE ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	Program Services				Supporting Services				2021 Total	2020 Total
	Clean and Safe	Marketing, Public Realm and Advocacy	Security Camera	Union Square Park	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Maintenance and cleaning	\$ 1,387,963	\$ --	\$ --	\$ 175,324	\$ 1,563,287	\$ --	\$ --	\$ --	\$ 1,563,287	\$ 1,598,100
Ambassadors and dispatch	1,286,613	--	--	21,123	1,307,736	--	--	--	1,307,736	1,134,705
Salaries and benefits	207,311	360,095	69,104	8,459	644,969	461,947	60,734	522,681	1,167,650	1,128,332
10B Police services and private security	807,840	--	--	1,176	809,016	--	--	--	809,016	695,634
Professional services	336,911	11,573	71,471	30,648	450,603	95,901	6,000	101,901	552,504	538,043
Operations management and supervision	327,064	--	--	420	327,484	--	--	--	327,484	246,243
Improvement projects	--	294,148	--	4,442	298,590	--	--	--	298,590	130,488
Rent and utilities	91,921	--	64,899	--	156,820	71,777	5,040	76,817	233,637	230,203
Depreciation	14,513	15,966	144,204	2,452	177,135	4,431	360	4,791	181,926	104,188
Marketing and promotion	--	181,312	--	--	181,312	--	--	--	181,312	37,714
Accounting, legal and support	24,943	24,943	--	--	49,886	49,887	120	50,007	99,893	138,702
Insurance, permits and fees	10,774	30	--	221	11,025	54,390	2,500	56,890	67,915	68,118
Trash related projects and supplies	67,633	--	--	--	67,633	--	--	--	67,633	54,246
Meetings, travel, conferences and office expenses	27,919	10,707	--	26	38,652	21,423	1,444	22,867	61,519	59,998
Public relations, sponsorships and donations	12,500	36,634	--	--	49,134	--	--	--	49,134	27,461
Bad debt expense	--	40,000	--	--	40,000	--	--	--	40,000	--
Special events and activation	--	24,639	--	4,152	28,791	--	--	--	28,791	115,063
Loss on disposition of assets	--	--	--	--	--	1,507	--	1,507	1,507	18,817
Total	\$ 4,603,905	\$ 1,000,047	\$ 349,678	\$ 248,443	\$ 6,202,073	\$ 761,263	\$ 76,198	\$ 837,461	\$ 7,039,534	\$ 6,326,055

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

UNION SQUARE ALLIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ (55,248)	\$ 488,848
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Payroll Protection Program loan forgiveness	(133,590)	--
Depreciation	181,926	104,188
Loss on disposition of assets	1,507	18,817
Unrealized loss (gain) on investments	(427)	883
Changes in assets and liabilities:		
Assessments receivable	(11,629)	(49,383)
Other receivables	(69,312)	8,709
Prepaid expenses and deposits	112,499	(163,198)
Accounts payable and accrued expenses	53,650	290,726
Accrued payroll and accrued vacation	28,400	21,947
Contract liabilities	(5,305)	--
Deferred rent	11,730	(15,370)
Net Cash Provided By Operating Activities	<u>114,201</u>	<u>706,167</u>
Cash Flows From Investing Activities		
Proceeds on sales and maturities of investments	3,500,427	4,283,864
Purchases of investments	(3,500,000)	(4,151,157)
Purchases of furniture and equipment	(310,172)	(289,485)
Net Cash Used In Investing Activities	<u>(309,745)</u>	<u>(156,778)</u>
Cash Flows From Financing Activities		
Proceeds from notes payable	300,629	133,590
Proceeds from borrowings under line of credit	750,000	500,000
Payments made on borrowings under line of credit	(750,000)	(500,000)
Net Cash Provided By Financing Activities	<u>300,629</u>	<u>133,590</u>
Net Increase In Cash and Cash Equivalents	105,085	549,389
Cash and Cash Equivalents – Beginning	<u>2,354,990</u>	<u>1,805,601</u>
Cash and Cash Equivalents – Ending	<u>\$ 2,460,075</u>	<u>\$ 2,354,990</u>
Cash and Cash Equivalents		
Cash and cash equivalents	1,960,087	1,354,805
Investments	499,988	1,000,185
Total Cash and Cash Equivalents	<u>\$ 2,460,075</u>	<u>\$ 2,354,990</u>
Supplemental Information		
Cash payments for interest	<u>\$ 3,776</u>	<u>\$ 2,083</u>

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

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

The Union Square Business Improvement District (dba Union Square Alliance) (the Alliance) 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 Alliance aims to provide services to assure a positive visitor experience 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 Alliance's members.

The Alliance has a contract with the City and County of San Francisco (the City) which was renewed in July 2019 for a 10 year term. The Alliance provides services for 27 whole or partial blocks, representing 621 parcels in the District. The Alliance also expanded services and added marketing, advocacy, beautification and capital improvement programs. The most recent renewal also increased budget by approximately 60% to greatly expand clean and safe services and become a 24/7/365 operation.

The Alliance's mission statement is as follows:

The Alliance 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 Alliance are:

Clean and Safe:

- Safety and Hospitality Ambassadors – Ambassadors walk throughout the District 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 6:00 am to 11:00 pm daily.
- 10B Police Officers – 10B Police Officers are on patrol in the District from 7:00 am to 11:00 pm daily to respond to members' needs and manage other quality of life issues in the District.
- Overnight Security Patrols – security patrols the district every night from 10:00 pm to 6:00 am to be the eyes and ears for the police department and advise on quality of life issues.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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

PURPOSE AND ORGANIZATION (CONTINUED)

- Cleaning and Graffiti Removal – Maintenance staff are on duty daily to clean litter from sidewalks and to remove graffiti. The District also is patrolled by an All-Terrain Litter Vehicle that patrols the District at night to pick up litter and trash. Each sidewalk in the District is steam cleaned on a regular basis (either weekly or bi-weekly depending on location).
- Union Square Cares program to provide homeless services and outreach and member education to help alleviate homelessness in Union Square.

Marketing, Public Realm and Advocacy

- 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. Advocating public policy and services to ensure the economic vitality of the District.

Security Camera Program

- The Alliance maintains and operates a large network of approximately 430 security cameras in the public realm and to provide after the fact video retrieval services for law enforcement and others. The cameras are monitored during the overnight hours to help with crime prevention

Union Square Park

- The Alliance began providing services to Union Square Park in September 2020. These services include dedicated daily cleaning, maintenance and security services as well as pressure washing of the entire park. The Alliance is also responsible for putting out tables and chairs in the main plaza area and sanitization and removal at end of day. In addition, the Alliance provides event support for signature Union Square Park events such as the Macy's Great (Holiday) Tree and Bill Graham Menorah Lighting as well as smaller performances and cultural events.

BASIS OF ACCOUNTING

The Alliance 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.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that the Alliance report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Alliance are classified and reported as described below:

Without Donor Restrictions: Net assets representing the portion of expendable funds that are available to support the Alliance’s operations. A portion of these net assets may be designated by the Board of Directors for specific purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management’s discretion.

With Donor Restrictions: Net assets representing funds that are specifically restricted by donors for use in various programs and/or specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Alliance or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

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 Alliance 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 Alliance. Unpaid receivables do not accrue interest.

The Alliance 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, 2021, the allowance for uncollectible assessments was approximately \$6,000.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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

INVESTMENTS

The Alliance's investments consist of certificates of deposit with maturities greater than three months when purchased, and are recorded at cost, plus accrued interest.

FURNITURE AND EQUIPMENT

The Alliance capitalizes acquisitions of furniture and equipment with a cost or value in excess of \$1,000 and with estimated useful lives 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. The Alliance reviews its furniture and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2021 the Alliance had not recognized an impairment loss.

ACCRUED VACATION

Full-time employees may accrue up to 12.31 hours per bi-weekly pay period depending on the number of years employed. Part-time employees who are scheduled to work at least 25 hours per week accrue vacation on a prorated basis. Employees can accrue a maximum of 150% of their annual vacation accrual.

REVENUE RECOGNITION

Assessment Revenue

The Alliance receives its revenue primarily from a special assessment levied by the City on properties located within the District in accordance with City Ordinance. The assessment is recorded by the Alliance when assessed by the City. The City remits the assessment to the Alliance 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.

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as net assets with donor restrictions. The Alliance reclassifies net assets with donor restrictions to net assets without donor restrictions when the stipulated time restriction ends or the purpose of the restriction is met.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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

REVENUE RECOGNITION (CONTINUED)

Contributed Goods and Services (continued)

For the year ended June 30, 2021, the Alliance recognized contributions for donated material and equipment in the amount of \$420 used in the Marketing, Public Realm and Advocacy program. This amount is included in in kind donations in the accompanying statement of activities.

The Alliance records contribution revenue for certain services received at the fair value of those services, if the services (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, 2021, the Alliance recognized contributed services in the amount of \$351,316 for the Marketing, Public Realm and Advocacy and Clean and Safe programs. This amount is included in in kind donations in the accompanying statement of activities.

Contributions

The Alliance recognizes all unconditional contributions when they are received or unconditionally promised. Donor-restricted contributions are reported as with donor restrictions, depending on the nature of the restrictions.

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 net assets without donor restrictions and decreasing net assets with donor restrictions in the statement of activities. Such transactions are recorded as net assets released from restrictions. The Alliance has elected to reflect donor-restricted contributions whose restrictions are met in the same reporting period in which they are promised as support without donor restrictions in the accompanying statement of activities.

The Alliance receives government grants, which are conditional upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Revenue recognized on these grants for which billings have not been presented to the grantor, or cash has not been received from the grantor, is reflected as other receivables in the accompanying statement of financial position. During the year ended June 30, 2021, the Alliance had a grant totaling \$227,356, which was deemed to be conditional. As such, \$56,886 has been recognized in the accompanying financial statements.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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

REVENUE RECOGNITION (CONTINUED)

Contract Revenue

Contract revenue includes affiliate member fees and administrative fees charged for the Big Belly program and management fees charged to the Union Square Foundation. Contract revenue is recognized as the performance obligations are satisfied. The performance obligations are satisfied as the Alliance provides services over the terms of the contracts.

Sponsorships

Sponsorships are considered conditional upon certain events being held. Amounts received are recognized as support when the events are held.

INCOME TAXES

The Alliance 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.

The Alliance 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 Alliance's evaluation on June 30, 2021, revealed no tax positions that would have a material impact on the financial statements. As of June 30, 2021, there was no accrual for interest or penalties.

The Alliance'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.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses directly attributed to specific functional areas of the Alliance are reported as expenses of those functional areas. Shared costs that benefit multiple functional areas have been allocated among the various functional areas. The expenses that are allocated include salaries and benefits and rent and utilities, which are allocated on the basis of estimates of time and effort. Accounting, legal, and support and meetings, travel, conferences and office expenses are allocated approximately 25% Clean and Safe, 25% Marketing, Public Realm, and Advocacy, and 50% Management and General.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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

NEW ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED

In 2016, Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. The new standard applies to capital or operating leases entered into after the standard was issued. The guidance will be effective for the fiscal year beginning after December 15, 2022, including interim periods within that year. The Alliance is currently evaluating the impact this ASU will have on its financial statements.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributions Nonfinancial Assets*. This ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The guidance will be effective for the fiscal year beginning after June 15, 2021, including interim periods within that year. The Alliance is currently evaluating the impact this ASU will have on its financial statements.

NOTE 2 – FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2021, consisted of the following:

Security camera equipment	\$ 1,915,407
Furniture and miscellaneous equipment	<u>187,563</u>
	2,102,970
Less: accumulated depreciation	<u>(1,663,473)</u>
Total	<u>\$ 439,497</u>

NOTE 3 – LINES OF CREDIT

The Alliance had a revolving line of credit with Wells Fargo Bank that expired on February 5, 2021, and had a maximum borrowing amount of \$1,000,000. On February 21, 2021, the line of credit was renewed through March 5, 2022. Amounts drawn on the lines of credit accrue interest at the greater of the prime rate plus 1.25% (3.25% at June 30, 2021) or the floor rate of 5.00%. The lines of credit are secured by the Alliance's receivables and equipment. There is no outstanding balance on the lines of credit as of June 30, 2021. Interest expense incurred on this line of credit totaled \$3,776 for the year ended June 30, 2021.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 – NOTES PAYABLE

In April 2020, the Alliance received Small Business Administration (SBA) loan proceeds in the amount of \$133,590 from a financial institution. The loan had a fixed interest rate of 1% per annum and payments of principal and interest were deferred during the first six months of the loan. The loan amount was eligible for forgiveness, pursuant to the Paycheck Protection Program (PPP). On January 12, 2021, SBA approved the Alliance's application for forgiveness of the PPP loan of \$133,590 and accrued interest of \$889. The Alliance recognized \$134,479 as Payroll Protection loan forgiveness in the accompanying statement of activities.

In May 2021, the Alliance entered into an agreement for a second draw PPP loan with the same financial institution in the amount of \$146,300. The loan will mature on May 6, 2026, with a fixed interest rate of 1% per annum. Similar to the first draw PPP loan, all or a portion of the loan is eligible of forgiveness pursuant to the PPP requirements, which established minimum amounts of the loan to be used to cover payroll costs and the remainder for mortgage interest and rent and utility costs over a specified period of time after the loan is made, assuming the number of employees and compensation levels are maintained. In the event the loan is not forgiven in full, consecutive monthly payments of principal plus interest of 1% will commence one month after the earlier of the following dates: (1) the date the financial institution receives the applicable forgiveness amount from the SBA; or (2) the date that is 10 months after the end of the forgiveness covered period, through the maturity date. As of June 30, 2021, the amount outstanding of the loan plus accrued interest was \$146,504.

The Alliance also applied for a SBA loan through the Economic Injury Disaster Loan Program (EIDL). On June 30, 2020, the Alliance's EIDL loan application for \$150,000 was approved by the SBA and the funds were received on July 2, 2020. The loan will mature in June 2050 and accrues interest at a fixed rate of 2.75% per annum. Payments of principal and interest are deferred during the first 12 months of the loan. As of June 30, 2021, the amount outstanding of the loan plus accrued interest was \$154,125. Commencing in July 2021, the loan will be paid in equal monthly installments through the maturity date. The collateral in which this security interest is granted includes all property the Alliance owns or shall acquire or create.

NOTE 5 – RETIREMENT PLAN

On January 1, 2020, the Alliance adopted a defined contribution retirement plan which is operated under Section 401(k) of the Internal Revenue Code (the IRC), covering all eligible employees. All employees over the age of 21 are eligible to participate in the plan after completion of one year of eligibility service, except union employees and non-resident aliens. Participants of the plan can make voluntary tax-deferred contributions into the plan within specified limits. The plan allows for the Alliance to make a profit sharing contribution, however, no contribution was made for the year ended June 30, 2021.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2021, consisted of the following:

Undesignated	\$ 1,110,199
Board designated for Clean and Safe	608,638
Net investment in furniture and miscellaneous equipment	439,497
Board designated for Administrative	49,822
Board designated for Advocacy	<u>16,134</u>
Total	<u>\$ 2,224,290</u>

The Alliance does not receive the first assessment payment for its fiscal year until January of each year. Thus, it is incumbent on the Alliance to maintain approximately six 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.

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the year ended June 30, 2021, by incurring expenses which satisfied the restricted purposes, as follows:

Security cameras	\$ 46,763
Campton Place	40,000
Bigbelly	27,606
Vacancy study	25,000
Other	<u>6,000</u>
Total	<u>\$ 145,369</u>

NOTE 8 – CONTINGENCIES, COMMITMENTS AND RISKS

Concentrations of Risk

Financial instruments which potentially subject the Alliance to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Alliance maintains its cash in various bank deposit accounts. The Alliance has a policy requiring all funds be fully insured. As of June 30, 2021, the cash and cash equivalents balance exceeding the \$250,000 per depositor per institution Federal Deposit Insurance Corporation limit totaled approximately \$10,000. Management believes that the Alliance is not exposed to any significant credit risk related to concentrations and has not suffered any losses in connection with its banking activity.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 – CONTINGENCIES, COMMITMENTS AND RISKS (CONTINUED)

Office Leases

In August 2019, the Alliance entered into a non-cancelable lease agreement for equipment requiring monthly payments of \$461 through October 31, 2022.

In August 2020, the Alliance entered into an operating lease for new operations office space that commenced on September 15, 2020, and expires on June 30, 2029. The new lease required a deposit of \$7,057 and monthly rental payments starting at \$6,023, with a 2% escalation effective each year on November 1 through the term of the lease.

In October 2020, the Alliance also entered into an operating lease for new administrative office space that commenced on June 1, 2021, and expires on May 1, 2031. The new lease required a deposit of \$17,222 and monthly rental payments starting at \$8,611, with a 2.5% escalation effective for each of the first two years. After the third year, rent will be determined based on 90% of the fair market rental but not less than \$9,047 or more than \$11,960.

The following is a schedule of minimum lease commitments:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 182,315
2023	182,216
2024	187,677
2025	221,539
2026	226,690
Thereafter	<u>1,027,462</u>
Total	<u>\$ 2,027,899</u>

Rent expense for the year ended June 30, 2021, totaled \$144,859 and is included in rent and utilities in the accompanying statement of functional expenses.

COVID 19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States and international communities. The Alliance is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Alliance's operations and liquidity is uncertain as of the date of this report. To date, there has not been a significant or material financial impact on the organization due to the pandemic. While there could ultimately be a material impact on operations and liquidity of the Alliance, at the time of issuance, the impact could not be determined.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 – RELATED PARTY TRANSACTIONS

The Alliance has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors may 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 Alliance 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 Alliance. 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.

The Executive Director has an ownership interest in the building where the Alliance signed a lease commencing in September 2020 which was paid approximately \$52,000 during the year ended June 30, 2021.

A member of the Alliance's Board of Directors has an ownership interest in the building where the Alliance signed a lease commencing in June 2021 which was paid approximately \$9,000 during the year ended June 30, 2021.

A member of the Alliance's Board of Directors is associated with a company that contributed services to the Alliance totaling \$330,816 during the year ended June 30, 2021.

Union Square Foundation

The Union Square Foundation (USF), a separate entity exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code, is an affiliate organization of the alliance. USF was formed to raise funds and devote resources to public realm improvement programs and homeless programs to benefit the area and greater community. The Alliance's and USF's exempt purposes are closely aligned. Four members of the Alliance's Board of Directors are also Board members of USF.

The Alliance and USF have entered into a service agreement which is renewed annually for a term of one year in which USF pays for administration and management of programmatic services conducted by the Alliance, including the security camera program. During the year ended June 30, 2021, the Alliance waived the monthly management fee but provided additional services of \$114,270 to USF which is included in contract revenue in the accompanying statement of activities. At June 30, 2021, \$27,252 is due from USF and is included in other receivables in the accompanying statement of financial position.

UNION SQUARE ALLIANCE

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 – LIQUIDITY AND AVAILABILITY

The following represents the Alliance’s financial assets at June 30, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,960,087
Assessments receivable, net	66,793
Other receivables	131,517
Investments	<u>499,988</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,658,385</u>

The Alliance’s primary source of revenue is assessments. The Alliance’s cash flows have variations during the year as the assessments collected and paid to the Alliance by the City are primarily paid in two payments in January and May. It has been the policy of the Alliance to maintain at least six months of operating reserves at the end of each fiscal year. To help manage liquidity and as a safeguard, the Alliance maintains a \$1,000,000 line of credit that can be drawn upon if needed to manage cash flow. See Note 3 for further description of this line of credit.

NOTE 11 – 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 Alliance’s financial statements as of June 30, 2020, and for the year then ended, from which the summarized information was derived.

NOTE 12 – SUBSEQUENT EVENTS

In preparing the financial statements, the Alliance has evaluated all subsequent events and transactions for potential recognition or disclosure through September 29, 2021, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.