



FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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)

Opinion

We have audited the accompanying financial statements of Union Square Business Improvement District (dba Union Square Alliance) (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Square Alliance as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Union Square Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Union Square Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Union Square Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Union Square Alliance's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of Union Square Business Improvement District as of June 30, 2021 were audited by other auditors whose report dated September 29, 2021 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 21, 2022

Perotti & Carade

UNION SQUARE ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021

	2022	2021
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ 2,056,312	\$ 1,960,087
Assessments receivable, net	23,285	66,293
Other receivables	145,739	132,017
Prepaid expenses and deposits	277,306	165,146
Certificates of deposit	498,955	499,988
Furniture and equipment, net	438,746	439,497
Total Assets	\$ 3,440,343	\$ 3,263,028
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 896,414	\$ 638,695
Accrued payroll and accrued vacation	82,291	84,684
Notes payable	139,544	300,629
Contract liabilities	51,745	3,000
Deferred rent	40,111	11,730
Total Liabilities	1,210,105	1,038,738
Net Assets:		
Without donor restrictions	2,230,238	2,224,290
With donor restrictions	-	-
Total Net Assets	2,230,238	2,224,290
Total Liabilities and Net Assets	\$ 3,440,343	\$ 3,263,028

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Revenue and Support:				
Assessment revenue	\$ 6,363,138	\$ -	\$ 6,363,138	\$ 6,022,492
Contributed nonfinancial assets	362,076	-	362,076	351,736
Contributions of cash and other financial assets	426,856	-	426,856	72,135
Loan forgiveness	147,438	-	147,438	134,479
Contract revenue	386,656	-	386,656	264,248
Sponsorships	22,583	-	22,583	23,537
Interest and other income	6,636	-	6,636	114,151
Net assets released from restrictions	-	-	-	-
Total Revenue and Support	7,715,383	-	7,715,383	6,982,778
Expenses:				
Program services:				
Clean and safe	4,729,361	-	4,729,361	4,603,905
Marketing, public realm and advocacy	1,009,845	-	1,009,845	1,000,047
Security camera	445,928	-	445,928	349,678
Union square park	403,950	-	403,950	248,443
Total program services	6,589,084	-	6,589,084	6,202,073
Management and general	1,044,586	-	1,044,586	759,755
Fundraising	75,765	-	75,765	76,198
Total Expenses	7,709,435	-	7,709,435	7,038,026
Change in Net Assets	5,948	-	5,948	(55,248)
Net Assets at Beginning of Year	2,224,290	-	2,224,290	2,279,538
Net Assets at End of Year	\$ 2,230,238	\$ -	\$ 2,230,238	\$ 2,224,290

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services					Supporting Services			2022 Total	2021 Total
	Clean and Safe	Marketing, Public Realm and Advocacy	Security Camera	Union Square Park	Total Program Services	Management and General	Fundraising			
Maintenance and cleaning	\$ 1,543,506	\$ 203	\$ -	\$ 99,500	\$ 1,643,209	\$ -	\$ -	\$ 1,643,209	\$ 1,566,884	
Salaries and benefits	431,196	305,959	76,093	52,115	865,363	559,903	62,772	1,488,038	1,167,649	
10B Police services and private security	944,851	-	-	2,616	947,467	-	-	947,467	809,016	
Ambassadors and dispatch	790,086	-	-	151,316	941,402	-	-	941,402	1,307,735	
Professional services	412,568	91,598	76,854	37,161	618,181	109,382	6,000	733,563	614,226	
Operations management and supervision	341,424	-	-	-	341,424	-	-	341,424	327,484	
Rent and utilities	99,311	50	80,946	-	180,307	134,728	5,040	320,075	168,738	
Improvement projects	-	289,623	-	-	289,623	-	-	289,623	298,592	
Depreciation	17,721	13,951	212,035	2,848	246,555	11,273	360	258,188	181,927	
Marketing and promotion	865	194,731	-	-	195,596	-	-	195,596	179,949	
Accounting, legal and support	18,675	-	-	-	18,675	96,012	120	114,807	99,894	
Special events and activation	-	54,476	-	57,661	112,137	-	-	112,137	28,790	
Meetings, travel, conferences and office expenses	20,413	2,090	-	13	22,516	74,794	1,473	98,783	61,101	
Public relations, sponsorships and donations	23,410	56,444	-	-	79,854	-	-	79,854	49,133	
Trash related projects and supplies	73,814	-	-	-	73,814	-	-	73,814	67,598	
Insurance, permits and fees	11,521	720	-	720	12,961	58,494	-	71,455	67,949	
Bad debt expense	-	-	-	-	-	-	-	-	40,000	
Total expenses	\$ 4,729,361	\$ 1,009,845	\$ 445,928	\$ 403,950	\$ 6,589,084	\$ 1,044,586	\$ 75,765	\$ 7,709,435	\$ 7,036,665	

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021**

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,948	\$ (55,248)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Payroll Protection Program loan forgiveness	(147,438)	(133,590)
Depreciation	258,188	181,926
Loss on disposition of assets	-	1,507
Unrealized loss (gain) on investments	-	(427)
Change in operating assets and liabilities:		
Assessments receivable	43,008	(11,629)
Other receivables	(13,722)	(69,312)
Prepaid expenses and deposits	(112,160)	112,499
Accounts payable and accrued expenses	257,719	53,650
Accrued payroll and accrued vacation	(2,393)	28,400
Contract liabilities	48,745	(5,305)
Deferred rent	28,381	11,730
Net cash provided by operating activities	366,276	114,201
Cash Flows from Investing Activities:		
Proceeds on sales and maturities of certificates of deposit, net	1,033	500,624
Purchase of furniture and equipment	(257,437)	(310,172)
Net cash provided by (used for) investing activities	(256,404)	190,452
Cash Flows From Financing Activities:		
Proceeds from notes payable	-	300,629
Loan repayments	(13,647)	-
Proceeds from borrowings under line of credit	500,000	750,000
Payments made on borrowings under line of credit	(500,000)	(750,000)
Net cash provided by (used for) financing activities	(13,647)	300,629
Net Increase in Cash and Cash Equivalents	96,225	605,282
Cash and Cash Equivalents - Beginning of Year (restated)	1,960,087	1,354,805
Cash and Cash Equivalents - End of Year	\$ 2,056,312	\$ 1,960,087
Supplemental Information		
Cash payments for interest	\$ 12,516	\$ 2,083

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

1. 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 the budget by approximately 60% to greatly expand clean and safe services and become a 24/7/365 operation.

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.
- Security Patrols – security teams patrol the district daily from 2:00 pm to 6:00 am to be the eyes and ears for the police department and advise on quality-of-life issues.
- 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).

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.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

1. ORGANIZATION (continued)

Union Square Cares Program

- The Alliance provides homeless services and outreach and member education to help alleviate homelessness in Union Square.

Security Camera Program

- The Alliance maintains and operates a large network of approximately 450 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 safety 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. The Alliance sponsored and activated Union Square Park including the summer weekly music series and the Bloom flower installations in spring. In addition, the Alliance provides event support for signature Union Square Park events such as the Macy's Great (Holiday) Tree and Annual Holiday Ice Rink as well as smaller performances and cultural events.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Alliance have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are described below to enhance the usefulness of the financial statements to the readers. Certain amounts from the 2021 financial statements have been reclassified to conform with the current year presentation.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the board limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation, continued – Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. The Organization does not have any donor-restricted net assets which are restricted in perpetuity.

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.

Certificates of Deposit – Certificates of deposit consist of certificates of deposit with maturities greater than three months when purchased, and are recorded at cost, plus accrued interest.

Assessment 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, 2022, the allowance for uncollectible assessments was \$5,553.

Property 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.

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.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition, continued:

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 for 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.

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. As of June 30, 2022, there is \$51,745 of grants which are deemed to be conditional for which funding was received in advance. The revenue will be recognized once the Alliance has met the conditions, generally by incurring eligible costs.

Contract Revenue - Contract revenue includes affiliate member fees and administrative fees charged for Union Square Park cleaning, safety, and management 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.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs, including personnel costs, insurance, depreciation, and occupancy, have been allocated among the programs and supporting services benefited based upon management’s analysis of time and effort spent on the programs and supportive services.

Tax-Exempt Status – The Organization is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and a similar California statute. In addition the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal or state income taxes has been recorded. The Organization’s informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from the estimates that were used.

3. LIQUIDITY AND AVAILABILITY

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.

Cash and cash equivalents	\$ 2,056,312
Assessments receivable, net	23,285
Other receivables	145,739
Certificates of deposit	498,955
Net financial assets available to meet cash needs for general expenditures within one year	\$ 2,724,291

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

4. FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2022, consisted of the following:

Security camera equipment	\$ 2,100,604
Furniture and miscellaneous equipment	<u>259,177</u>
	2,359,781
Less: accumulated depreciation	<u>(1,921,035)</u>
Total	<u>\$ 438,746</u>

During the year ended June 30, 2022, the Alliance recognized depreciation expense of \$258,188.

5. LINE OF CREDIT

The Alliance had a revolving line of credit that expired in March 2022 and had a maximum borrowing amount of \$1,000,000. In July 2022, the line of credit was renewed through July 2023. Amounts drawn on the line of credit accrue interest at the greater of the prime rate plus 1.25% (6.00% June 30, 2022) or the floor rate of 5.00%. The line of credit is secured by the Alliance's assets. There is no outstanding balance on the line of credit as of June 30, 2022. Interest expense incurred on this line of credit totaled \$1,944 for the year ended June 30, 2022.

6. NOTES PAYABLE

In May 2021, the Alliance received Small Business Administration ("SBA") loan proceeds in the amount of \$146,300 from a financial institution under the Paycheck Protection Program ("PPP"). 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 PPP. On February 21, 2022, SBA approved the Alliance's application for forgiveness of the PPP loan of \$146,300 and accrued interest of \$1,138. The Alliance recognized \$147,438 as loan forgiveness in the accompanying statement of activities during the year ended June 30, 2022.

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, 2022, the amount outstanding on the loan was \$139,544. The collateral in which this security interest is granted includes all property the Alliance owns or shall acquire or create.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

6. NOTES PAYABLE (continued)

The future minimum principal payments on the EIDL loan as of June 30, 2022 are as follows:

2023	\$	4,030
2024		4,143
2025		4,258
2026		4,377
2027		4,499
Thereafter		118,237
Total	\$	139,544

7. CONTRIBUTED NONFINANCIAL ASSETS

The entity adopted accounting standard ASU 2020-07 during the year ended June 30, 2022. No restatement was required. The standard required additional disclosures surrounding contributed nonfinancial assets. Contributed nonfinancial assets did not have donor-imposed restrictions, unless otherwise noted. During the year ended June 30, 2022, the Alliance recognized the following nonfinancial assets within revenue on the statement of activities and where such nonfinancial assets are reflected on the statement of functional expenses:

	Revenue Recognized	Utilization in Function
Professional fees	\$ 355,641	Program
Meetings, travel, conferences and office expenses	6,435	Administration
	\$ 362,076	

Professional fees are comprised principally of trash removal from various locations within the Alliance's borders. Marketing fees are comprised of professional services providing marketing services. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

8. 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, 2022.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of June 30, 2022, consisted of the following:

Undesignated	\$ 752,222
Board designated for Clean and Safe	883,063
Net investment in furniture and miscellaneous equipment	438,746
Board designated for Administrative	148,273
Board designated for Advocacy	7,934
	<u>\$ 2,230,238</u>
Total net assets with donor restrictions	<u>\$ 2,230,238</u>

10. COMMITMENTS

In August 2020, the Alliance entered into an operating lease for office space that commenced on September 15, 2020, and expires on June 30, 2029.

In October 2020, the Alliance also entered into an operating lease for new administrative office space that expires on May 1, 2031. The new lease requires 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 for the years ending June 30:

	2023	\$ 180,833
	2024	187,677
	2025	221,539
	2026	226,690
	2027	231,963
	Thereafter	795,498
Total	\$	<u>1,844,201</u>

In August 2019, the Alliance entered into a non-cancelable lease agreement for equipment requiring monthly payments of \$461 through October 31, 2022. The remaining lease commitment related to this lease is \$1,844 for the year ending June 30, 2023.

Rent expense for the year ended June 30, 2022, totaled \$209,207 and is included in rent and utilities in the accompanying statement of functional expenses.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

11. 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 former Executive Director has an ownership interest in the building where the Alliance signed a lease commencing in September 2020 and paid approximately \$83,000 during the year ended June 30, 2022.

A member of the Alliance's Board of Directors is associated with a company that contributed services to the Alliance totaling \$339,241 during the year ended June 30, 2022.

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 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 services conducted by the Alliance. In addition, USF will provide grants to the Alliance to cover certain program costs. During the year ended June 30, 2022, the Alliance received total funding of \$272,568. At June 30, 2022, \$63,414 is due from USF and is included in other receivables in the accompanying statement of financial position.

12. CONTINGENCIES, RISKS, AND UNCERTAINTIES

Cash and Cash Equivalents – Financial instruments that potentially subject the Organization to credit risk include cash on deposit with financial institutions that at times is in excess of the \$250,000 insurance limitation of the United States Federal Deposit Insurance Corporation ("FDIC").

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

13. 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, 2021, and for the year then ended, from which the summarized information was derived.

14. RESTATEMENT

The 2021 statement of cash flows was restated. The cash and cash equivalent amounts listed included certificates of deposit which did not meet the criteria to be considered a cash and cash equivalent. The changes on the previously reported statement of cash flows for the year ended June 30, 2021 are as follows:

	<u>Originally reported</u>	<u>Adjustment</u>	<u>Updated</u>
Proceeds on sales and maturities of investment	\$ 3,500,427	\$ (3,500,427)	\$ -
Purchases of investments	\$ (3,500,000)	\$ 3,500,000	\$ -
Proceeds on sales and maturities of certificates of deposit, net	\$ -	\$ 500,624	\$ 500,624
Cash and cash equivalents - Beginning	\$ 2,354,990	\$ (1,000,185)	\$ 1,354,805
Cash and cash equivalents - Ending	\$ 2,460,075	\$ (499,988)	\$ 1,960,087

15. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions subsequent to June 30, 2022, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through November 21, 2022, the date the financial statements were available to be issued.