



UNION SQUARE
BUSINESS IMPROVEMENT
DISTRICT

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)**

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Union Square Business Improvement District

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, 2020, 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 as of June 30, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
September 30, 2020

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,354,805	\$ 925,690
Assessments receivable, net	54,664	5,281
Other receivables	62,705	71,414
Prepaid expenses and deposits	277,645	114,447
Investments	1,000,185	879,911
Furniture and equipment, net	<u>312,758</u>	<u>146,278</u>
Total Assets	<u>\$ 3,062,762</u>	<u>\$ 2,143,021</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 585,045	\$ 294,319
Accrued vacation	56,284	34,337
Notes payable	133,590	--
Contract liabilities	<u>8,305</u>	<u>23,675</u>
Total Liabilities	<u>783,224</u>	<u>352,331</u>
Net Assets		
Without donor restrictions	2,200,303	1,731,437
With donor restrictions	<u>79,235</u>	<u>59,253</u>
Total Net Assets	<u>2,279,538</u>	<u>1,790,690</u>
Total Liabilities and Net Assets	<u>\$ 3,062,762</u>	<u>\$ 2,143,021</u>

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Revenue and Support				
Assessment revenue	\$ 6,025,030	\$ --	\$ 6,025,030	\$ 3,670,175
In kind donations	395,644	--	395,644	394,217
Contract revenue	274,147	--	274,147	327,263
Contributions	--	72,620	72,620	1,025,787
Sponsorships	29,125	--	29,125	331,759
Interest income	18,337	--	18,337	18,456
Net assets released from restrictions				
Satisfaction of purpose restrictions	<u>52,638</u>	<u>(52,638)</u>	<u>--</u>	<u>--</u>
Total Revenue and Support	<u>6,794,921</u>	<u>19,982</u>	<u>6,814,903</u>	<u>5,767,657</u>
Expenses				
Program Services:				
Clean and Safe	4,335,872	--	4,335,872	2,942,848
Holiday Safe Shopper	--	--	--	1,000,000
Marketing, Public Realm and Advocacy	922,298	--	922,298	939,996
Security Camera	<u>273,024</u>	<u>--</u>	<u>273,024</u>	<u>484,807</u>
Total Program Services	5,531,194	--	5,531,194	5,367,651
Management and general	705,005	--	705,005	529,540
Fundraising	<u>89,856</u>	<u>--</u>	<u>89,856</u>	<u>117,357</u>
Total Expenses	<u>6,326,055</u>	<u>--</u>	<u>6,326,055</u>	<u>6,014,548</u>
Change in Net Assets	468,866	19,982	488,848	(246,891)
Net Assets, Beginning of Year	<u>1,731,437</u>	<u>59,253</u>	<u>1,790,690</u>	<u>2,037,581</u>
Net Assets, End of Year	<u>\$ 2,200,303</u>	<u>\$ 79,235</u>	<u>\$ 2,279,538</u>	<u>\$ 1,790,690</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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)**

	Program Services			Supporting Services			2020 Total	2019 Total	
	Clean and Safe	Marketing, Public Realm and Advocacy	Security Camera	Total Program Services	Management and General	Fundraising			Total Supporting Services
Maintenance and cleaning	\$ 1,598,100	\$ --	\$ --	\$ 1,598,100	\$ --	\$ --	\$ --	\$ 1,598,100	\$ 1,035,279
Ambassadors and dispatch	1,115,011	--	19,694	1,134,705	--	--	--	1,134,705	886,634
Salaries and benefits	104,063	444,937	34,688	583,688	466,716	77,928	544,644	1,128,332	897,370
10B Police services and private security	695,634	--	--	695,634	--	--	--	695,634	1,277,357
Professional services	329,964	61,180	87,831	478,975	53,568	5,500	59,068	538,043	569,301
Operations management and supervision	246,243	--	--	246,243	--	--	--	246,243	232,197
Rent and utilities	116,697	16,533	59,288	192,518	33,065	4,620	37,685	230,203	189,530
Accounting, legal, and support	34,646	34,654	--	69,300	69,292	110	69,402	138,702	97,696
Improvement projects	--	130,488	--	130,488	--	--	--	130,488	164,024
Special events and activation	--	115,063	--	115,063	--	--	--	115,063	104,848
Depreciation	18,406	18,590	63,926	100,922	2,936	330	3,266	104,188	234,058
Insurance, permits, and fees	8,222	2,241	7,467	17,930	50,188	--	50,188	68,118	56,285
Meetings, travel, conferences, and office expenses	14,770	14,620	--	29,390	29,240	1,368	30,608	59,998	57,673
Trash related projects and supplies	54,116	--	130	54,246	--	--	--	54,246	72,484
Marketing and promotion	--	37,714	--	37,714	--	--	--	37,714	32,107
Public relations, sponsorships, and donations	--	27,461	--	27,461	--	--	--	27,461	105,600
Loss on disposition of assets	--	18,817	--	18,817	--	--	--	18,817	2,105
Total	<u>\$ 4,335,872</u>	<u>\$ 922,298</u>	<u>\$ 273,024</u>	<u>\$ 5,531,194</u>	<u>\$ 705,005</u>	<u>\$ 89,856</u>	<u>\$ 794,861</u>	<u>\$ 6,326,055</u>	<u>\$ 6,014,548</u>

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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 488,848	\$ (246,891)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	104,188	234,058
Meetings, travel, conferences,	18,817	2,105
Unrealized losses (gains) on investments	883	(142)
Changes in assets and liabilities:		
Assessments receivable	(49,383)	91,754
Other receivables	8,709	103,481
Prepaid expenses and deposits	(163,198)	21,033
Accounts payable and accrued expenses	290,726	(66,952)
Accrued vacation	21,947	9,758
Contract liabilities	(15,370)	(15,385)
Net Cash Provided By Operating Activities	706,167	132,819
Cash Flows From Investing Activities		
Proceeds on sales and maturities of investments	4,030,000	3,250,617
Purchases of investments	(4,151,157)	(3,380,678)
Purchases of furniture and equipment	(289,485)	(149,405)
Net Cash Provided By (Used In) Investing Activities	(410,642)	(279,466)
Cash Flows From Financing Activities		
Proceeds from notes payable	133,590	--
Proceeds from borrowings under line of credit	500,000	--
Payments made on borrowings under line of credit	(500,000)	--
Net Cash Provided By Financing Activities	133,590	--
Net Increase (Decrease) In Cash and Cash Equivalents	429,115	(146,647)
Cash and Cash Equivalents - Beginning	925,690	1,072,337
Cash and Cash Equivalents - Ending	\$ 1,354,805	\$ 925,690
Supplemental Information		
Cash payments for interest	\$ 2,083	\$ --

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, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

The Union Square Business Improvement District (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). 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.

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, USBID expanded the District from the original 10n blocks to 27 whole or partial blocks, representing nearly 600 parcel owners in the District. USBID also expanded services and added marketing, advocacy, beautification and capital improvement programs. In July, 2019 the contract was renewed again for another 10 year term with an increased budget of approximately 60% to greatly expand clean and safe services and become a 24/7/365 operation.

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 USBID 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 5:30 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-6:00 am to be the eyes and ears for the police department and advise on quality of life issues.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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.

Security Camera Program

- The USBID maintains and operates a large network of approximately 400 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

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.

BASIS OF ACCOUNTING

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 USBID 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 USBID are classified and reported as described below:

Without Donor Restrictions: Net assets representing the portion of expendable funds that are available to support USBID'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.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

CLASSIFICATION OF NET ASSETS (CONTINUED)

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 USBID 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.

As of June 30, 2020, USBID did not have any net assets required to 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

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

ASSESSMENTS RECEIVABLE

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

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, 2020, the allowance for uncollectible assessments was approximately \$6,000.

INVESTMENTS

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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

FURNITURE AND EQUIPMENT

USBID 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.

ACCRUED VACATION

Full-time employees may accrue up to 23 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.

REVENUE RECOGNITION

Assessment Revenue

USBID 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 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

USBID 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. USBID 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.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

REVENUE RECOGNITION (CONTINUED)

Contributions (continued)

USBID 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 contributions and grants receivable in the accompanying statement of financial position. During the year ended June 30, 2020, USBID was awarded grants totaling \$61,470, which were deemed to be conditional. As such, they have not been recognized in the accompanying financial statements.

Contract Revenue

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

Sponsorships

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

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. USBID reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. For the year ended June 30, 2020, USBID recognized contributed material and equipment in the amount of \$1,000 used in the Marketing, Public Realm and Advocacy program.

The USBID 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, 2020, USBID recognized contributed services in the amount of \$394,644 for the Marketing, Public Realm and Advocacy and Clean and Safe programs.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

INCOME TAXES

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.

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. USBID's evaluation on June 30, 2020, revealed no tax positions that would have a material impact on the financial statements. As of June 30, 2020, there was no accrual for interest or penalties.

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 USBID to concentrations of credit risk consist principally of cash and cash equivalents and investments. USBID maintains its cash in various bank deposit accounts. USBID has a policy requiring all funds be fully insured. As of June 30, 2020, the cash and cash equivalents balance exceeding the \$250,000 per depositor per institution Federal Deposit Insurance Corporation limit totaled approximately \$427,000. Management believes that USBID is not exposed to any significant credit risk related to concentrations.

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 USBID 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 BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 USBID's financial statements as of June 30, 2019, and for the year then ended, from which the summarized information was derived.

NEW ACCOUNTING STANDARDS

In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. USBID adopted ASU 2014-09 and related amendments on July 1, 2019, using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. USBID adopted the standard applicable to contributions received and contributions paid to grantees in the accompanying financial statements under a modified prospective bases. This standard did not result in a material change to the financial statements or the timing of revenue recognition for USBID's contributions.

NOTE 2 - FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2020, consisted of the following:

Security camera equipment	\$ 1,658,786
Furniture and miscellaneous equipment	<u>174,812</u>
	1,833,598
Less: accumulated depreciation	<u>(1,520,840)</u>
Total	<u>\$ 312,758</u>

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - LINE OF CREDIT

USBID had a revolving line of credit with Wells Fargo Bank that expired on June 30, 2019 and had a maximum borrowing amount of \$500,000. This line of credit was renewed on September 3, 2019 and expired on February 2, 2020, and increased the maximum borrowing amount to \$700,000. On January 31, 2020, the line of credit was further renewed, with an expiration date of February 5, 2021, and a maximum borrowing amount of \$1,000,000. Amounts drawn on the line of credit accrue interest at the greater of the prime rate plus 1.25% (3.25% at June 30, 2020) or the floor rate of 5.00%. The line of credit is secured by USBID's receivables and equipment. There is no outstanding balance on the line of credit as of June 30, 2020. Interest expense incurred on this line of credit totaled \$2,083 for the year ended June 30, 2020.

NOTE 4 - NOTES PAYABLE AND INTEREST EXPENSE

In April 2020, USBID applied for a Small Business Administration (SBA) loan through the Paycheck Protection Program (PPP). On May 5, 2020, USBID's PPP loan application for \$133,590 was approved by a financial institution. The loan will mature in May 2022 and has a fixed interest rate of 1% per annum. Payments of principal and interest are deferred during the first six months of the loan. Commencing in November 2020, the loan will be paid in equal monthly installments through the maturity date. The loan amount may be eligible for forgiveness, pursuant to provisions of the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder used for mortgage interest, rent and utility costs over a specified period of time after the loan was made and the number of employees and compensation levels are maintained.

USBID also applied for a SBA loan through the Economic Injury Disaster Loan Program (EIDL). On June 30, 2020, the USBID'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. 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 USBID owns or shall acquire or create.

NOTE 5 - RETIREMENT PLAN

On January 1, 2020, USBID 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

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - RETIREMENT PLAN (CONTINUED)

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 USBID to make a profit sharing contribution, however, no contribution was made for the year ended June 30, 2020.

NOTE 6 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2020, consisted of the following:

Board designated for Advocacy	\$ 17,334
Board designated for Clean and Safe	415,774
Board designated for Administrative	19,753
Board designated for Marketing	2,749
Net investment in furniture and miscellaneous equipment	312,758
Undesignated	<u>1,431,935</u>
Total	<u>\$ 2,220,303</u>

USBID does not receive the first assessment payment for its fiscal year until January of each year. Thus, it is incumbent on USBID 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 WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020, consisted of the following:

Campton Place	\$ 40,000
Security cameras	<u>39,235</u>
Total	<u>\$ 79,235</u>

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the year ended June 30, 2020, by incurring expenses which satisfied the restricted purposes, as follows:

Police patrols and security cameras	\$ 46,822
Other	<u>5,816</u>
Total	<u>\$ 52,638</u>

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9 - COMMITMENTS

USBID leases its office, operations office, conference room, and storage on a month-to-month basis.

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

The following is a schedule of minimum lease commitments:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 5,532
2022	5,532
2023	<u>1,383</u>
Total	<u>\$ 12,447</u>

Rent expense for the year ended June 30, 2020, totaled \$164,619.

NOTE 10 - RELATED PARTY TRANSACTIONS

USBID 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 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 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 USBID's Board of Directors is associated with a company that contributed services to USBID totaling \$290,644 during the year ended June 30, 2020.

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 USBID. USF was formed to raise funds and devote resources to public realm improvement programs and homeless programs to benefit the area and greater community. USBID's and USF's exempt purposes are closely aligned. Four members of USBID's Board of Directors are also Board members of USF.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)

Union Square Foundation (continued)

During the year ended June 30, 2020, USBID and USF entered into a service agreement for a term of one year in which USF pays for administration and management of programmatic services conducted by USBID, including the security camera program. During the year ended June 30, 2020, USBID provided services of \$187,027 to US which is included in contract revenue in the accompanying statement of activities. At June 30, 2020, \$22,805 is due from USF and is included in other receivables in the accompanying statement of financial position.

NOTE 11 - LIQUIDITY AND AVAILABILITY

The following represents USBID's financial assets at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,354,805
Assessments receivable, net	54,644
Other receivables	62,705
Investments	<u>1,000,185</u>
Total financial assets	2,472,339
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(79,235)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,393,104</u>

USBID's primary source of revenue is assessments. USBID's cash flows have variations during the year as the assessments collected and paid to USBID by the City are primarily paid in two payments in January and May. It has been the policy of USBID to maintain at least six months of operating reserves at the end of each fiscal year. To help manage liquidity and as a safeguard, USBID 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 12 - SUBSEQUENT EVENTS

In preparing the financial statements, USBID has evaluated all subsequent events and transactions for potential recognition or disclosure through September 30, 2020, the date the financial statements were available to be issued.

UNION SQUARE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 12 - SUBSEQUENT EVENTS (CONTINUED)

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. USBID 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 USBID's operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of USBID, at the time of issuance, the impact could not be determined.

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

Future minimum lease payments under the above operating lease are as follows:

For the Year Ending June 30,	
2021	\$ 48,184
2022	73,236
2023	74,700
2024	76,200
2025	77,720
Thereafter	<u>326,756</u>
Total	<u>\$ 676,796</u>

There were no other subsequent events that require recognition or disclosure in these financial statements.