



## Regular Meeting of the Finance & Audit Advisory Committees

9:00am Thursday, May 16, 2024  
291 Geary Street, Suite 200, San Francisco, CA 94102 or Via Zoom  
<https://us02web.zoom.us/j/82998442147>

### Minutes

#### In Attendance

**Committee Members:** James Sangiacomo, Nina Lang, J. Timothy Falvey, Julie Taylor, Russell D. Keil Jr, Paul Sandberg

**Staff, Contract Service Providers & Guests:** Ben Horne (CFO), Zarrina Yousafzai (Finance & HR Associate), Kristina Ghishan (Intern), Kat Harris (CPA), Tammy Brock

#### 1. **Call to order and Introductions.**

Observing a quorum present, Ben called the meeting to order at 9:02 am. The committee then made introductions.

#### 2. **Public comment**

Ben called for public comment, hearing none, the committee proceeded with the next agenda item.

#### 3. **Action to approve the March 21, 2024, meeting minutes of the Committees.**

**Action:** After reviewing the minutes draft, the committee unanimously approved the March 21, 2024, minutes as motioned by Russell D. Keil Jr. and seconded by J. Timothy Falvey.

#### 4. **Since We Last Met & Updates**

- **Office lease amendment and expansion**

Ben shared that the office lease amendment has been signed and the new office space is currently under construction. The board requested more flexibility with the lease, so the Alliance negotiated an out clause for the additional space. If revenue in the 2029-2030 fiscal year drops 30% or more below the current fiscal year's (23-24FY) revenue, the Alliance can return the additional space at no cost or further obligation.

- **Foundation grants and Annual Luncheon**

Ben announced that RFP 226 is in process, with billing already started. The community challenge grant remains a challenge. The SF Live grant has received the final version of the amended agreement, which includes significant additional funds



for the Union Square stage project, set to begin in the next fiscal year. RFP 224 was signed and revised, with a slight decrease to allocate more funds to the RFP226 grant.

Ben also highlighted the success of the Annual Luncheon, which was one of the highest-grossing luncheons to date, raising approximately \$140,000+. He thanked everyone who attended and the sponsors, noting that the net amount after expenses is about \$80,000.

- Foundation Fiscal compliance and monitoring result.  
Ben shared that there are no updates at this time as the Union Square Foundation has not yet received any responses from the city regarding Fiscal Compliance and Monitoring.
- Line of credit update.  
Ben informed the committee that the line of credit renewal is currently in progress. The bank has requested to see the April financial results, which were sent out prior to the meeting. He also shared that the Alliance will be applying for a new Credit Card, which will specifically be used by Eva for events.
- Legal matters updates.  
Ben shared that the legal matter regarding the noise complaint has been resolved and the case is closed. However, there is an additional request for a settlement from a former employee, and the Alliance will need to compile and send out personnel documents. The matter is being handled by an attorney appointed by our insurance company.

#### **5. Assessment payment and review of assessment receivables report at 4/30/24.**

Ben presented the assessment payment receivables report. The Alliance received about \$3 million. While reviewing the assessment receivables report, Ben noticed a duplicate payment on the city's paid list for the first payment, which they had already received. The Alliance has contacted the city about this issue and is awaiting a response from the controller's office. The Alliance reconciled the revenue to the assessment roll and adjusted the penalties/interest accordingly to ensure accuracy.

#### **6. Audit planning presentation, discussion, and review of engagement letter from Perotti and Carrade and Action to recommend engaging Perotti and Carrade to Board of Directors for audit and tax services for the 23-24FY. (Kat Harris, CPA)**

Kat Harris from Perotti and Carrade, reviewed the engagement and planning letters for the Fiscal Year 23/24 Audit. She noted that the engagement letter is very similar to the past. Additionally, she went over the risks of material misstatement outlined in the letter which is now standard for all non-profit engagements. The engagement cost in the letter is approximately \$24,000.



**Action:** The committee unanimously approved a recommendation to engage Perotti and Carrade CPAs to the Board of Directors for audit and tax services for the 23-24FY as motioned by Julie Taylor and seconded by J. Timothy Falvey.

**7. Action to Accept the Unaudited Financial Reports of April 2024, for recommendation to the Board of Directors**

Ben reviewed the Unaudited Financial Reports of April 2024, stating that the Union Square Alliance reports an operating surplus of \$1.344 million for the fiscal year. This surplus was driven by the receipt of the second assessment payment (\$3.056 million) in late April, exceeding the approved budget surplus of \$892K with a positive variance of \$451K. It is projected that the fiscal year will end with a \$269K surplus. Expenses in clean and safe were under budget by \$130K, with additional revenues of \$151K, while marketing and administrative expenses were slightly under budget by \$66K and \$10K, respectively. Despite a negative variance of \$86K in other revenues due to timing revisions with grants and activities, the organization spent less on Other Funds (\$179K), resulting in an overall positive variance. USBID assessment operation expenses were in line with management plan levels, with 75% on clean and safe, 12% on marketing, and 13% on administration. Two accounting issues, including Block by Block billing and the CCG and RFP 226 grant expenses, are still being reconciled and cleaned up. Net assets stand at \$3.328 million, with a cash balance of \$3.8 million as of April 30, 2024. Additionally, the organization earned \$46K of interest income during the fiscal year.

**Action:** The Unaudited Financial Reports of April 2024 were accepted for recommendation to the Board of Directors, unanimously approved by the board, as motioned by J. Timothy Falvey and seconded by Julie Taylor.

**8. Review of draft budget, discussion, and action to make recommendation to Board for assessment rate for the 24-25FY.**

Ben reviewed the draft budget and observed that a few projects were unclear at this point as well as grant funding. He needs more time to examine the numbers closely and will present a revised final budget draft at the July meeting. However, with known expenses and plans the budget draft had a large deficit (\$777K). Discussion carried forward regarding the assessment rate for 24/25FY. Ben noted that he had received feedback from Mark, Wes, and Stephen, who weren't present at the meeting, and all were in favor of increasing assessments. Concerns about potential exposure in assessments due to Macy's closing were discussed. Ben requested recommendations, and after further discussion, the committee suggested a 3% increase in the assessment rate (below the 5% allowable increase). The Committee felt that this recommendation was a reasonable compromise between the need to keep up with increasing costs but also recognizing that many owners have vacancies and lease revenues are down.

**Action:** A recommendation to the Board for a 3% increase in the assessment rate for the 2024-2025 fiscal year was unanimously approved, as motioned by J. Timothy Falvey and seconded by James Sangiacomo.



#### **9. Next meetings & events**

- Board Meeting (Annual Meeting) May 23, 2024, at 9:00am (Marriott)
- Executive Committee June 27, 2024, at 9:00am
- Finance & Audit Committee next meeting July 18, 2024, at 9:00am.
  - Ben noted that at the next Finance Committee meeting, he will share the fiscal year-end results and a draft Fiscal Manual.

#### **10. Adjourned 9:41 am**