



FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

UNION SQUARE ALLIANCE

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PEROTTI & CARRADE

Certified Public Accountants

INDEPENDENT AUDITOR'S 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 statements of financial position as of June 30, 2024 and June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and June 30, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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 audits. 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.

Auditor's 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 auditor's 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.

October 22, 2024

Perotti & Canade

UNION SQUARE ALLIANCE

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ 537,554	\$ 291,983
Investments	1,813,927	1,762,271
Assessments receivable, net	59,039	21,678
Grant receivable, related party	344,872	440,093
Other receivables	126,549	59,478
Prepaid expenses and deposits	411,158	232,948
Furniture and equipment, net	316,693	490,768
Operating lease right-of-use asset	1,739,413	1,350,282
Total Assets	<u>\$ 5,349,205</u>	<u>\$ 4,649,501</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 921,059	\$ 960,247
Accrued payroll and accrued vacation	122,342	110,807
Grant liabilities	75,354	73,661
Note payable	131,628	135,641
Operating lease liability	1,753,158	1,384,397
Total Liabilities	<u>3,003,541</u>	<u>2,664,753</u>
Net Assets:		
Without donor restrictions	2,345,664	1,984,748
Total Net Assets	<u>2,345,664</u>	<u>1,984,748</u>
Total Liabilities and Net Assets	<u>\$ 5,349,205</u>	<u>\$ 4,649,501</u>

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Assessment revenue	\$ 6,871,600	\$ -	\$ 6,871,600	\$ 6,669,779	\$ -	\$ 6,669,779
Individual and foundation contributions	2,060,523	-	2,060,523	1,407,479	-	1,407,479
Contributed nonfinancial assets	365,231	-	365,231	341,740	-	341,740
Contract revenue	341,777	-	341,777	404,357	-	404,357
Sponsorships	36,707	-	36,707	61,415	-	61,415
Interest and other income	67,466	-	67,466	38,323	-	38,323
Net assets released from restrictions	-	-	-	-	-	-
Total Revenue and Support	9,743,304	-	9,743,304	8,923,093	-	8,923,093
Expenses:						
Program services:						
Clean and safe	5,045,037	-	5,045,037	5,129,398	-	5,129,398
Marketing, public realm and advocacy	2,314,966	-	2,314,966	1,939,414	-	1,939,414
Union square park	365,284	-	365,284	491,729	-	491,729
Security camera	439,604	-	439,604	473,263	-	473,263
Total program services	8,164,891	-	8,164,891	8,033,804	-	8,033,804
Management and general	879,810	-	879,810	968,632	-	968,632
Fundraising	337,687	-	337,687	166,147	-	166,147
Total Expenses	9,382,388	-	9,382,388	9,168,583	-	9,168,583
Change in Net Assets	360,916	-	360,916	(245,490)	-	(245,490)
Net Assets at Beginning of Year	1,984,748	-	1,984,748	2,230,238	-	2,230,238
Net Assets at End of Year	\$ 2,345,664	\$ -	\$ 2,345,664	\$ 1,984,748	\$ -	\$ 1,984,748

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services				Supporting Services			Total
	Clean and Safe	Marketing, Public Realm and Advocacy	Union Square Park	Security Camera	Total Program Services	Management and General	Fundraising	
Maintenance and cleaning	\$ 1,710,315	\$ 113,431	\$ 13,704	\$ 9,425	\$ 1,846,875	-	\$ -	\$ 1,846,875
Salaries and benefits	287,682	468,357	67,422	50,767	874,228	387,848	306,943	1,569,019
10B Police services and private security	1,290,206	71,469	97,787	-	1,459,462	-	-	1,459,462
Ambassadors	836,007	7,069	125,755	-	968,831	-	-	968,831
Special events and activation	-	775,641	7,642	-	783,283	-	13,830	797,113
Professional services	277,324	198,344	16,500	88,420	580,588	135,628	6,352	722,568
Operations management and supervision	460,490	-	32,619	-	493,109	-	-	493,109
Improvement projects	81	414,926	-	-	415,007	-	-	415,007
Rent and utilities	110,142	99	-	85,262	195,503	92,249	7,320	295,072
Depreciation	3,481	58,774	2,848	205,730	270,833	9,553	360	280,746
Marketing and promotion	-	151,283	-	-	151,283	-	-	151,283
Insurance, permits, and fees	13,584	1,142	1,007	-	15,733	93,786	-	109,519
Meetings, travel, conferences, and office	11,666	11,338	-	-	23,004	80,881	2,762	106,647
Accounting, legal, and support	-	-	-	-	-	79,865	120	79,985
Trash related projects and supplies	44,059	-	-	-	44,059	-	-	44,059
Public relations, sponsorships, and donations	-	43,093	-	-	43,093	-	-	43,093
Total expenses	\$ 5,045,037	\$ 2,314,966	\$ 365,284	\$ 439,604	\$ 8,164,891	\$ 879,810	\$ 337,687	\$ 9,382,388

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services					Supporting Services		
	Clean and Safe	Marketing, Public Realm and Advocacy	Union Square Park	Security Camera	Total Program Services	Management and General	Fundraising	Total
Maintenance and cleaning	\$ 1,742,374	\$ -	\$ 113,361	\$ -	\$ 1,855,735	\$ -	\$ -	\$ 1,855,735
Salaries and benefits	505,069	490,935	104,453	89,130	1,189,587	465,611	140,337	1,795,535
10B Police services and private security	1,157,497	-	-	-	1,157,497	-	-	1,157,497
Ambassadors	770,534	-	175,498	-	946,032	-	-	946,032
Special events and activation	-	645,057	75,231	-	720,288	-	10,340	730,628
Professional services	348,582	48,075	-	101,104	497,761	113,501	6,000	617,262
Operations management and supervision	372,502	-	13,181	-	385,683	-	-	385,683
Improvement projects	-	490,358	6,424	-	496,782	-	-	496,782
Rent and utilities	110,391	-	-	82,058	192,449	110,075	4,883	307,407
Depreciation	42,283	41,471	2,848	200,971	287,573	12,645	360	300,578
Marketing and promotion	-	159,492	-	-	159,492	-	-	159,492
Insurance, permits, and fees	11,734	733	733	-	13,200	79,758	25	92,983
Meetings, travel, conferences, and office	10,503	11,638	-	-	22,141	99,632	1,542	123,315
Accounting, legal, and support	-	-	-	-	-	87,410	120	87,530
Trash related projects and supplies	57,929	-	-	-	57,929	-	-	57,929
Public relations, sponsorships, and donations	-	51,655	-	-	51,655	-	2,540	54,195
Total expenses	\$ 5,129,398	\$ 1,939,414	\$ 491,729	\$ 473,263	\$ 8,033,804	\$ 968,632	\$ 166,147	\$ 9,168,583

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 360,916	\$ (245,490)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	280,746	300,578
Non cash lease expense	174,080	184,667
Loss on disposal of fixed assets	4,362	-
Change in operating assets and liabilities:		
Assessments receivable	(37,361)	1,607
Grant receivable, related party	95,221	(376,679)
Other receivables	(67,071)	22,847
Prepaid expenses and deposits	(178,210)	44,358
Accounts payable and accrued expenses	(39,188)	63,833
Accrued payroll and accrued vacation	11,535	28,516
Grant liabilities	1,693	21,916
Lease liability payments	<u>(194,450)</u>	<u>(190,663)</u>
Net cash provided by (used for) operating activities	<u>412,273</u>	<u>(144,510)</u>
Cash Flows From Investing Activities:		
Proceeds on sales and maturities of investments, net	(51,656)	(1,263,316)
Purchase of furniture and equipment, net	<u>(111,033)</u>	<u>(352,600)</u>
Net cash used for investing activities	<u>(162,689)</u>	<u>(1,615,916)</u>
Cash Flows From Financing Activities:		
Loan repayments	(4,013)	(3,903)
Proceeds from borrowings under line of credit	1,000,000	1,000,000
Payments made on borrowings under line of credit	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net cash used for financing activities	<u>(4,013)</u>	<u>(3,903)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	245,571	(1,764,329)
Cash and Cash Equivalents - Beginning of Year	291,983	2,056,312
Cash and Cash Equivalents - End of Year	\$ 537,554	\$ 291,983
Supplemental Information		
Interest paid	<u>\$ 12,620</u>	<u>\$ 14,404</u>

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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”). In 2009, the District expanded to 27 blocks. 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 617 parcels in the District. The Alliance also expanded services and added marketing, advocacy, beautification, and capital improvement programs. The most recent renewal (2019) 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 24 hours per day, every day. The patrols are the eyes and ears of the police department, work to keep the public realm safe, 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 canvases 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 ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. ORGANIZATION (continued)

Security Camera Program:

- The Alliance maintains and operates a large network of approximately 520 security cameras in the public realm and to provide after the fact video retrieval services for law enforcement and others. The cameras are sometimes 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 and activations, décor and other programs to beautify the area. Advocating public policy and services to ensure the economic vitality of the District.

Union Square Park:

- The Alliance began providing services to Union Square Park in September 2020. These services currently include dedicated security and safety services from 6am-10pm daily. The Alliance is also responsible for putting out tables and chairs in the main plaza area and removal at end of day. The Alliance sponsored and activated Union Square Park including the summer music series (SF Live program) 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 2023 financial statements have been reclassified to conform with the current year presentation.

Basis of Presentation – The Alliance 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 Alliance, 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

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued) – entered into in the course of its operations. 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 Alliance 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.

Investments at Fair Value – Investments in publicly traded securities, treasury bills, and mutual funds are stated at fair value. The Alliance adopted a framework for measuring fair value. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the framework are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Alliance has the ability to access;

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains or losses resulting from market fluctuations are recorded in the statement of activities in the period the fluctuation occurs.

Assessment Receivable – Assessments receivable represent obligations of local property owners due to the Alliance.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessment Receivable (continued) – 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, 2024 and 2023, the allowance for uncollectible assessments was \$5,553 each year.

Property and Equipment - The Alliance capitalizes acquisitions of furniture and equipment with a cost or value in excess of \$5,000 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 revenue 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 Nonfinancial Assets – 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.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition, continued:

Contributions (continued) – 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, 2024 and 2023, there is \$75,354 and \$73,661, respectively, 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.

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.

Leases – The Alliance determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Alliance does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Leases are evaluated on a regular basis to consider economic and strategic incentives of exercising the renewal options, and how they align with the Alliance's operating strategy. Therefore, substantially all the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the ROU asset and lease liability as the options to extend are not reasonably certain at lease commencement.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs – All advertising costs are expensed as incurred. Advertising costs totaled \$151,283 and \$159,492 during the years ended June 30, 2024 and June 30, 2023, respectively. Advertising costs include website, collateral development, ads, social media, and public relations.

Tax-Exempt Status – The Alliance 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 Alliance 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 Alliance has evaluated its current tax positions as of June 30, 2024 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Alliance'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.

The Alliance's financial assets available to meet cash needs for general expenditures within one year of June 30 includes:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 537,554	\$ 291,983
Investments	1,813,927	1,762,271
Assessments receivable, net	59,039	21,678
Grant receivable, related party	344,872	440,093
Other receivables	<u>126,549</u>	<u>59,478</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,881,941</u>	<u>\$ 2,575,503</u>

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Fair Value
Treasury bills	\$ -	\$ 1,813,927	\$ -	\$ 1,813,927
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ -	\$ 1,813,927	\$ -	\$ 1,813,927
	<hr/>	<hr/>	<hr/>	<hr/>

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair Value
Treasury bills	\$ -	\$ 1,762,271	\$ -	\$ 1,762,271
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ -	\$ 1,762,271	\$ -	\$ 1,762,271
	<hr/>	<hr/>	<hr/>	<hr/>

5. FURNITURE AND EQUIPMENT

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

	2024	2023
Security camera equipment	\$ 2,438,494	\$ 2,362,714
Furniture and miscellaneous equipment	<hr/>	<hr/>
	373,355	349,666
	<hr/>	<hr/>
	2,811,849	2,712,380
Less: accumulated depreciation	<hr/>	<hr/>
	(2,495,156)	(2,221,612)
Total	<hr/>	<hr/>
	\$ 316,693	\$ 490,768

During the years ended June 30, 2024 and June 30, 2023, the Alliance recognized depreciation expense of \$280,746 and \$300,578, respectively.

6. LINE OF CREDIT

The Alliance had a revolving line of credit that expired in July 2024 and has 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% (9.50% at both June 30, 2024 and 2023) or a floor rate of 2.50%. The line of credit is secured by the Alliance's assets. There was no outstanding balance on the line of credit as of June 30, 2024 and June 30, 2023. Interest expense incurred on this line of credit totaled \$4,929 and \$5,837 for the years ended June 30, 2024 and June 30, 2023, respectively. In July 2024, the line of credit was extended through July 2025.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

7. NOTE PAYABLE

The Alliance 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 were deferred during the first 12 months of the loan. As of June 30, 2024 and 2023, the amount outstanding on the loan was \$131,628 and \$135,641, respectively. The collateral in which this security interest is granted includes all property the Alliance owns or shall acquire or create. Interest paid on the loan during the years ended June 30, 2024 and June 30, 2023 totaled \$3,549 and \$3,662, respectively.

The future minimum principal payments on the EIDL loan as of June 30, 2024 are as follows:

2025	\$ 4,258
2026	4,377
2027	4,499
2028	4,624
2029	4,753
Thereafter	109,117
Total	<u>\$ 131,628</u>

8. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets did not have donor-imposed restrictions, unless otherwise noted. During the years ended June 30, the Alliance recognized the following contributed nonfinancial assets within revenue on the statement of activities and where such contributed nonfinancial assets are reflected on the statement of functional expenses:

	2024	2023	Utilization in Function
Professional services	\$ 279,770	\$ 314,000	Program
Marketing and promotional services	61,235	-	Program
Meetings, travel, conferences and office expenses	24,226	16,240	Administration
Meetings, travel, conferences and office expenses	-	11,500	Program
	<u>\$ 365,231</u>	<u>\$ 341,740</u>	

Professional services are comprised principally of trash and recycling services for litter, trash, and recycling picked up throughout the district. Marketing and promotional services are comprised of professional services providing marketing services. Meetings, travel, conferences and office expenses are comprised principally of donated meeting spaces for board meetings. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

9. 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 90 days 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. The Alliance made contributions of \$3,593 and \$5,852 during the years ended June 30, 2024 and June 30, 2023, respectively.

10. OPERATING LEASE LIABILITY

The Alliance evaluated current contracts to determine which met the criteria of a lease. The ROU asset represents the Alliance's right to use underlying assets for the lease term, and the lease liabilities represent the Alliance's obligation to make lease payments arising from these leases. The ROU asset and lease liability, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Alliance has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Two contracts met the criteria which are the office spaces used by the Alliance. The discount rates applied to calculate the lease liability as of June 30, 2024, were 4.36% and 2.50%.

For the years ended June 30, 2024 and June 30, 2023, total operating lease costs were \$174,080 and \$184,667, respectively. As of June 30, 2024, the remaining lease term for the Alliance's two operating leases was approximately ten years and five years. One lease agreement requires monthly rental payments at \$9,273 for four months before increasing to \$12,739, with a 2.5% escalation effective in July 2025 and each year thereafter.

Cash paid for the operating lease for the years ended June 30, 2024 and June 30, 2023 was \$194,450 and \$190,663, respectively. There were no noncash investing and financing transactions related to the leases.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

10. OPERATING LEASE LIABILITY (continued)

Future minimum lease payments under noncancelable operating leases discounted to present value are presented in the following table, for the years ending June 30:

2025	\$ 229,834
2026	245,810
2027	251,519
2028	257,350
2029	263,314
Thereafter	893,205
	<hr/>
Total remaining lease payments	2,141,032
Present value discount	<u>(387,874)</u>
Remaining lease payments, net	\$ <u>1,753,158</u>

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	2024	2023
Undesignated	\$ 893,792	\$ 407,476
Board designated for Clean and Safe	701,874	883,063
Net investment in furniture and miscellaneous equipment	316,693	490,768
Board designated for Administrative	313,842	148,273
Board designated for Marketing	114,233	47,234
Board designated for Advocacy	5,230	7,934
	<hr/>	<hr/>
Total net assets without donor restrictions	<u>\$ 2,345,664</u>	<u>\$ 1,984,748</u>

12. 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.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

12. RELATED PARTY TRANSACTIONS (continued)

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.

A member of the Alliance's Board of Directors is associated with a company that contributed services to the Alliance totaling \$260,000 and \$314,000 during the years ended June 30, 2024 and June 30, 2023, respectively.

Another member of the Alliance's Board of Directors has an ownership interest in the company from which the Alliance rents office space. Total cash paid to this company was \$108,790 and \$106,133 during the years ended June 30, 2024 and June 30, 2023, respectively.

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 years ended June 30, 2024 and June 30, 2023, the Alliance received total funding of \$2,019,004 and \$1,329,465, respectively. At June 30, 2024 and June 30, 2023, \$344,872 and \$440,093, respectively, was due from USF and is included in grant receivable, related party in the accompanying statement of financial position.

13. CONTINGENCIES, RISKS, AND UNCERTAINTIES

Cash and Cash Equivalents – Financial instruments that potentially subject the Alliance 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").

Vendor Concentration – The Alliance paid one vendor approximately \$3,877,00 and \$3,747,000 during the years ended June 30, 2024 and June 30, 2023, respectively, for services and supplies.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

14. SUBSEQUENT EVENTS

Management of the Alliance has evaluated events and transactions subsequent to June 30, 2024, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through October 22, 2024, the date the financial statements were available to be issued.