



FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023, 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, 2023, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in notes 2 and 9 to the financial statements, the Organization changed its method of accounting for leases in the year ended June 30, 2023 due to the adoption of Accounting Standards Update (ASU) No. 2016-02.

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

We have previously audited Union Square Alliance's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 2, 2023

Perotti & Canade

UNION SQUARE ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ 291,983	\$ 2,056,312
Temporarily invested cash	1,762,271	498,955
Assessments receivable, net	21,678	23,285
Grant receivable, related party	440,093	63,414
Other receivables	59,478	82,325
Prepaid expenses and deposits	232,948	277,306
Furniture and equipment, net	490,768	438,746
Operating right-of-use asset	1,350,282	-
Total Assets	\$ 4,649,501	\$ 3,440,343
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 960,247	\$ 896,414
Accrued payroll and accrued vacation	110,807	82,291
Contract liabilities	73,661	51,745
Notes payable	135,641	139,544
Operating lease liability	1,384,397	-
Deferred rent	-	40,111
Total Liabilities	2,664,753	1,210,105
Net Assets:		
Without donor restrictions	1,984,748	2,230,238
Total Net Assets	1,984,748	2,230,238
Total Liabilities and Net Assets	\$ 4,649,501	\$ 3,440,343

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenue and Support:				
Assessment revenue	\$ 6,669,779	\$ -	\$ 6,669,779	\$ 6,363,138
Contributed nonfinancial assets	341,740	-	341,740	362,076
Individual and foundation contributions	1,407,479	-	1,407,479	426,856
Loan forgiveness	-	-	-	147,438
Contract revenue	404,357	-	404,357	386,656
Sponsorships	61,415	-	61,415	22,583
Interest and other income	38,323	-	38,323	6,636
Net assets released from restrictions	-	-	-	-
Total Revenue and Support	8,923,093	-	8,923,093	7,715,383
Expenses:				
Program services:				
Clean and safe	5,129,398	-	5,129,398	4,729,361
Marketing, public realm and advocacy	1,939,414	-	1,939,414	1,009,845
Security camera	473,263	-	473,263	445,928
Union square park	491,729	-	491,729	403,950
Total program services	8,033,804	-	8,033,804	6,589,084
Management and general	968,632	-	968,632	1,044,586
Fundraising	166,147	-	166,147	75,765
Total Expenses	9,168,583	-	9,168,583	7,709,435
Change in Net Assets	(245,490)	-	(245,490)	5,948
Net Assets at Beginning of Year	2,230,238	-	2,230,238	2,224,290
Net Assets at End of Year	\$ 1,984,748	\$ -	\$ 1,984,748	\$ 2,230,238

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services					Supporting Services			2023	2022
	Clean and Safe	Marketing, Public Realm and Advocacy	Security Camera	Union Square Park	Total Program Services	Management and General	Fundraising		Total	Total
Maintenance and cleaning	\$ 1,742,374	\$ -	\$ -	\$ 113,361	\$ 1,855,735	\$ -	\$ -	\$	1,855,735	\$ 1,655,567
Salaries and benefits	505,069	490,935	89,130	104,453	1,189,587	465,611	140,337		1,795,535	1,488,038
10B Police services and private security	1,157,497	-	-	-	1,157,497	-	-		1,157,497	947,467
Ambassadors	770,534	-	-	175,498	946,032	-	-		946,032	941,402
Special events and activation	-	645,057	-	75,231	720,288	-	10,340		730,628	112,137
Professional services	348,582	48,075	101,104	-	497,761	113,501	6,000		617,262	721,087
Improvement projects	-	490,358	-	6,424	496,782	-	-		496,782	289,623
Operations management and supervision	372,502	-	-	13,181	385,683	-	-		385,683	341,424
Rent and utilities	110,391	-	82,058	-	192,449	110,075	4,883		307,407	320,075
Depreciation	42,283	41,471	200,971	2,848	287,573	12,645	360		300,578	258,188
Marketing and promotion	-	159,492	-	-	159,492	-	-		159,492	195,596
Meetings, travel, conferences, and office	10,503	11,638	-	-	22,141	99,632	1,542		123,315	98,901
Insurance, permits, and fees	11,734	733	-	733	13,200	79,758	25		92,983	71,455
Accounting, legal, and support	-	-	-	-	-	87,410	120		87,530	114,807
Trash related projects, and supplies	57,929	-	-	-	57,929	-	-		57,929	73,814
Public relations, sponsorships, and donations	-	51,655	-	-	51,655	-	2,540		54,195	79,854
Total expenses	\$ <u>5,129,398</u>	\$ <u>1,939,414</u>	\$ <u>473,263</u>	\$ <u>491,729</u>	\$ <u>8,033,804</u>	\$ <u>968,632</u>	\$ <u>166,147</u>	\$	<u>9,168,583</u>	\$ <u>7,709,435</u>

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (245,490)	\$ 5,948
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Payroll Protection Program loan forgiveness	-	(147,438)
Depreciation	300,578	258,188
Non cash lease expense	184,667	-
Change in operating assets and liabilities:		
Assessments receivable	1,607	43,008
Grant receivable, related party	(376,679)	-
Other receivables	22,847	(13,722)
Prepaid expenses and deposits	44,358	(112,160)
Accounts payable and accrued expenses	63,833	257,719
Accrued payroll and accrued vacation	28,516	(2,393)
Contract liabilities	21,916	48,745
Lease liability payments	(190,663)	-
Deferred rent	-	28,381
Net cash provided by (used for) operating activities	<u>(144,510)</u>	<u>366,276</u>
Cash Flows from Investing Activities:		
Proceeds on sales and maturities of temporarily invested cash, net	(1,263,316)	1,033
Purchase of furniture and equipment	<u>(352,600)</u>	<u>(257,437)</u>
Net cash used for investing activities	<u>(1,615,916)</u>	<u>(256,404)</u>
Cash Flows From Financing Activities:		
Loan repayments	(3,903)	(13,647)
Proceeds from borrowings under line of credit	1,000,000	500,000
Payments made on borrowings under line of credit	<u>(1,000,000)</u>	<u>(500,000)</u>
Net cash used for financing activities	<u>(3,903)</u>	<u>(13,647)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,764,329)	96,225
Cash and Cash Equivalents - Beginning of Year	<u>2,056,312</u>	<u>1,960,087</u>
Cash and Cash Equivalents - End of Year	\$ <u>291,983</u>	\$ <u>2,056,312</u>
Supplemental Information		
Cash payments for interest	\$ <u>14,404</u>	\$ <u>12,516</u>

See accompanying notes to financial statements.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 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”). 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 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 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 ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. ORGANIZATION (continued)

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 Cares Program:

- The Alliance engages with the community to provide services, outreach and member education to help alleviate homelessness in Union Square and beyond. The organization also partners with non-profit organizations to help break the cycle of poverty by empowering young adults in disadvantaged communities in the area.

Security Camera Program:

- The Alliance maintains and operates a large network of approximately 480 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 2022 financial statements have been reclassified to conform with the current year presentation.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Temporarily Invested Cash – Temporarily invested cash 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, 2023, 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.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2023, there is \$73,661 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.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition, continued:

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 right-of-use asset and lease liability as the options to extend are not reasonably certain at lease commencement.

Advertising costs – All advertising costs are expensed as incurred. Advertising costs totaled \$159,492 during the year ended June 30, 2023. 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'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.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Recently Adopted Accounting Standard – Effective July 1, 2022, the Alliance adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Alliance recognized an operating lease right-of-use asset of \$1,503,482, an operating lease liability of \$1,543,593, and removed its deferred rent of \$40,111 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

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	\$ 291,983
Assessments receivable, net	21,678
Grant receivable, related party	440,093
Other receivables	59,478
Temporarily invested cash	<u>1,762,271</u>
Net financial assets available to meet cash	
needs for general expenditures within one year	\$ <u>2,575,503</u>

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

4. FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2023, consisted of the following:

Security camera equipment	\$ 2,362,714
Furniture and miscellaneous equipment	<u>349,666</u>
	2,712,380
Less: accumulated depreciation	<u>(2,221,612)</u>
Total	\$ <u>490,768</u>

During the year ended June 30, 2023, the Alliance recognized depreciation expense of \$300,578.

5. LINE OF CREDIT

The Alliance has a revolving line of credit that expires 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% June 30, 2023) or the floor rate of 2.50%. 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, 2023. Interest expense incurred on this line of credit totaled \$5,837 for the year ended June 30, 2023.

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 were deferred during the first 12 months of the loan. As of June 30, 2023, the amount outstanding on the loan was \$135,641. 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 year ended June 30, 2023 totaled \$3,662.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

6. NOTES PAYABLE (continued)

The future minimum principal payments on the EIDL loan as of June 30, 2023 are as follows:

2024	\$ 4,143
2025	4,258
2026	4,377
2027	4,499
2028	4,624
Thereafter	113,740
Total	<u>\$ 135,641</u>

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, 2023, 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:

	<u>Revenue Recognized</u>	<u>Utilization in Function</u>
Professional fees	\$ 314,000	Program
Meetings, travel, conferences and office expenses	11,500	Program
Meetings, travel, conferences and office expenses	16,240	Administration
	<u>\$ 341,740</u>	

Professional fees are comprised principally of trash and recycling services for litter, trash, and recycling picked up throughout the district. 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 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; however, no contribution was made for the year ended June 30, 2023.

UNION SQUARE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
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9. OPERATING LEASE LIABILITY

The Alliance evaluated current contracts to determine which met the criteria of a lease. The right-of-use (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, 2023, were 1.55% and 2.50%.

For the year ended June 30, 2023, total operating lease costs were \$184,667. As of June 30, 2023, the remaining lease term for the Alliance's two operating leases was approximately eight years and six years. One lease agreement 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 operating lease liability has assumed a fair market rental of \$9,047.

Cash paid for the operating lease for the year ended June 30, 2023 was \$190,663. There were no noncash investing and financing transactions related to leasing other than the transition entry described in note 2.

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

2024	\$	194,450
2025		198,872
2026		203,418
2027		208,072
2028		212,822
Thereafter		462,159
		<hr/>
Total remaining lease payments		1,479,793
Present value discount		(95,396)
Remaining lease payments, net	\$	<u>1,384,397</u>

UNION SQUARE ALLIANCE
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10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of June 30, 2023, consisted of the following:

Undesignated	\$ 407,476
Board designated for Clean and Safe	883,063
Net investment in furniture and miscellaneous equipment	490,768
Board designated for Administrative	148,273
Board designated for Marketing	47,234
Board designated for Advocacy	7,934
	<hr/>
Total net assets without donor restrictions	\$ <u>1,984,748</u>

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.

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

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, 2023, the Alliance received total funding of \$1,329,465. At June 30, 2023, \$440,093 is due from USF and is included in grant receivable, related party in the accompanying statement of financial position.

UNION SQUARE ALLIANCE
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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”).

Vendor Concentration – the Alliance paid one vendor approximately \$3,747,000 during the year ended June 30, 2023 for services and supplies.

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, 2022, and for the year then ended, from which the summarized information was derived.

14. SUBSEQUENT EVENTS

Management of the Alliance has evaluated events and transactions subsequent to June 30, 2023, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through October 2, 2023, the date the financial statements were available to be issued.