

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
(A Non-profit Corporation)**

FINANCIAL STATEMENTS

**Year Ended December 31, 2020
(With comparative totals for 2019)**

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Los Angeles, California

We have audited the accompanying financial statements of Downtown Los Angeles Property Owners Association, dba LA Fashion District Business Improvement District (the "Association") (a California nonprofit corporation) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities 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.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of this event cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The 2019 financial statements were reviewed by us, and our report thereon, dated March 27, 2020, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

GTL,LLP

Certified Public Accountants
Sherman Oaks, California
May 10, 2021

DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS	Audited	Reviewed
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 1,463,456	\$ 986,493
Assessments Receivable, net of allowance for uncollected assessments of \$270,620 and \$53,854, for 2020 and 2019, respectively (Note 2)	-	-
Accounts Receivable (Note 4)	27,443	106,703
Prepaid Expenses (Note 4)	90,391	88,145
Total Current Assets	<u>1,581,290</u>	<u>1,181,341</u>
Property and Equipment (Note 2):		
Field Equipment	553,337	619,662
Website	32,694	32,694
Leasehold Improvements	100,297	113,488
Computers	50,590	51,914
Furniture and Fixtures	28,579	30,987
	765,497	848,745
Less Accumulated Depreciation and Amortization	(382,519)	(346,247)
Net Property and Equipment	<u>382,978</u>	<u>502,498</u>
Total Assets	<u>\$ 1,964,268</u>	<u>\$ 1,683,839</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 163,701	\$ 282,552
8th and San Pedro Median Project Funds	23,421	23,296
BID Consortium Funds	1,600	2,600
Total Current Liabilities	<u>188,722</u>	<u>308,448</u>
Commitments and Contingencies (Notes 2, 8, 9, 12)	-	-
Net Assets Without Donor Restrictions (Note 5):		
Non-Assessment Revenues Fund	34,529	-
Designated for Public Art	1,844	1,844
Designated for 2021 Operating Budget	289,372	117,000
Designated for MTA Projects' Matching Funds in 2021	26,000	26,000
Designated for Board Strategic Planning in 2021	-	10,000
Designated for Tree Trimming in 2024	100,000	200,000
Designated for BID Renewal in 2025-2026	100,000	100,000
Prepaid Expenses	90,391	88,145
Designated for Future Capital Equipment Purchases in 2021	207,790	101,500
Designated for Future Capital Equipment Purchases in 2022-2026	542,642	228,404
Investment in Existing Property and Equipment	382,978	502,498
Total Net Assets Without Donor Restrictions	<u>1,775,546</u>	<u>1,375,391</u>
Total Liabilities and Net Assets	<u>\$ 1,964,268</u>	<u>\$ 1,683,839</u>

The accompanying notes are an integral part of the financial statements

DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Statement of Activities
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
	Audited	Reviewed
Changes in Net Assets Without Donor Restrictions:		
BID REVENUES (Note 2):		
Assessment Revenue:		
Business Improvement District - Assessments	\$ 5,209,429	\$ 5,074,548
Collection of Prior Years' Unpaid Assessments	18,585	13,595
Collection of Penalties and Interest	12,708	17,856
General Benefit Revenue	124,511	117,463
Service Revenue (Broadway Plazas)	11,283	43,394
Investment Income	11,106	38,307
Website Advertisement Revenue	11,067	22,760
Merchants' Trash Pick-Up Revenue	-	9,036
Revenue from Disposal of Capital Equipment	12,990	-
Special Events Revenue and Sponsorships	1,000	-
Miscellaneous Other Revenues	586	3,273
BID Revenues	5,413,265	5,340,232
OVERLAY REVENUES (Note 2):		
Santee Alley - Overlay Assessments (pass-thru)	755,496	699,533
Santee Alley - General Benefit Rev (pass-thru)	17,413	16,122
Overlays Revenues Sub-Total	772,909	715,655
Total Revenue Without Donor Restrictions	6,186,174	6,055,887
EXPENSES:		
BID FUNCTIONAL EXPENSES (Note 13):		
Cleaning	2,179,358	2,720,585
Safety	1,478,196	1,275,598
Communication	315,912	322,941
Special Projects	249,385	193,701
Management	254,093	310,873
Provision for Uncollected Assessments	376,708	167,772
Depreciation and Amortization	132,796	95,748
City and County Collection Costs	26,662	25,665
BID Functional Expenses	5,013,110	5,112,883
OVERLAY EXPENSES (Note 2):		
Santee Alley Overlay (pass-thru)	772,909	715,655
Overlay Expenses	772,909	715,655
Total Expenses	5,786,019	5,828,538
Increase in Net Assets Without Donor Restrictions	400,155	227,349
UNRESTRICTED NET ASSETS - Beginning of Year	1,375,391	1,148,042
UNRESTRICTED NET ASSETS - End of Year	\$ 1,775,546	\$ 1,375,391

The accompanying notes are an integral part of the financial statements

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Statement of Cash Flows
Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	2020	2019
	Audited	Reviewed
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets Without Donor Restrictions	\$ 400,155	\$ 227,349
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation and Amortization	132,796	92,037
(Gain)/Loss on Sale or Disposal of Equipment	(12,990)	3,711
Changes in Assets and Liabilities:		
Accounts Receivable	79,260	(32,596)
Prepaid Expenses	(2,246)	(19,939)
Accounts Payable and Accrued Expenses	(118,851)	129,046
8th and San Pedro Median Project Funds	125	305
BID Consortium Funds	(1,000)	(1,850)
Net Cash and Cash Equivalents Provided by Operating Activities	477,249	398,063
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchases) of Equipment	(13,276)	(383,707)
Proceeds from Sale or Disposal of Equipment	12,990	13,500
Net Cash and Cash Equivalents (Used-in) Investing Activities	(286)	(370,207)
Net Increase in Cash and Cash Equivalents	476,963	27,856
CASH AND CASH EQUIVALENTS, beginning of year	986,493	958,637
CASH AND CASH EQUIVALENTS, end of year	\$ 1,463,456	\$ 986,493

SUPPLEMENTAL CASH FLOW DISCLOSURE INFORMATION:

The Association's total \$13,276 capital equipment purchases at cost during 2020 consisted of one Pressure Washer on a Trailer. The Association's total \$96,524 capital equipment disposals at original cost during 2020 consisted of: two Clean Team trucks \$46,600, one Pressure Washer on a Trailer \$10,712, one laptop computer \$1,324, two field office cabinets \$2,407, an Eponic Mobile Data Collection System License Fee \$22,290, Field Office Tenant Improvements \$13,191. The disposal of the two trucks yielded \$8,000 in sales proceeds and the BID received \$4,990 in insurance proceeds for the Pressure Washer on a Trailer, which was stolen. Since all the disposed equipment was fully depreciated, the Association recognized a total \$12,990 gain on disposal.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2020**

(1) NATURE OF ORGANIZATION

Downtown Los Angeles Property Owners Association, (the "Association"), doing business as LA Fashion District Business Improvement District, is a 501(c)(6) tax-exempt nonprofit mutual benefit corporation dedicated to helping the community (LA Fashion District) be a clean, safe, and friendly place to work, shop, live and do business through cleaning, safety and marketing programs. Launched in January 1996, the LA Fashion District Business Improvement District ("BID") was the first property-based BID in Los Angeles.

A 15-member Board of Directors, consisting of LA Fashion District property owners, oversees the management of the BID. An 8-member management and staff team directs the day-to-day operation of BID programs and serves as a liaison between city government and property owners.

The specific purpose of the Association is to advocate, facilitate and/or direct improved public safety, sidewalk, graffiti and streetscape cleaning programs, and other projects that contribute to a cleaner, safer, well-managed section of Los Angeles known as the LA Fashion District. The Association consists of property owners located within the LA Fashion District's 107 block BID.

The Association's viability and its revenues depend upon renewal of the BID by the member property owners and the Los Angeles City Council (the "City"), and continuation of a performance agreement with the City to administer the BID funds and services in accordance with the Management District Plan. In 2018 the BID was successfully renewed for a sixth-term beginning January 1, 2019 through December 31, 2026.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. The Association is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets, revenues, contributions, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions.

(b) Reclassification

Certain prior year account balances may have been reclassified to conform to the current year presentation or to more accurately present the nature of the account balances.

(c) Revenue Recognition

Revenues are recorded when earned and mainly consist of real estate special assessments levied on properties based on benefits received, as approved by property owners and the City of Los Angeles in the Management District Plan.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2020**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue Recognition (Continued)

Parcels with footage fronting the Santee Alley pay added assessments to fund additional services inside the Santee Alley as a separate overlay under the Management District Plan. Under agreement between the Association and the Santee Maple Alley Association ("SMAA"), the Association receives overlay assessments from the City and fully transfers those overlay assessments to SMAA as a pass-through. The 2020 Revenue was composed of \$755,496 billed overlay assessments and \$17,413 General Benefit funds paid by the City of Los Angeles.

The City and County of Los Angeles coordinate the levy and collection of all current-year assessments and prior years' unpaid assessments, penalties and interest, which for the years ended December 31, 2020 and 2019 totaled \$5,240,722 and \$5,105,999, respectively (excluding the Santee Alley Overlay). The costs directly associated with the administration of this program were reimbursed to the City and County of Los Angeles, \$26,662 and \$25,665 for the years ended December 31, 2020 and 2019, respectively.

(d) Assessments Receivable and Allowance for Doubtful Accounts

Management believes that the collection of assessments relating to certain parcels is unknown and, accordingly, has established an allowance against assessments receivable. The Association's policy, consistent with conservative practice, is to reserve 100% of unpaid assessments receivable. At December 31, 2020 and 2019, the allowances for uncollected assessments receivable were \$270,620 and \$53,854 respectively, and composed of only outstanding private-parcel assessments. The \$270,620 balance was composed of the \$53,854 uncollected assessments at December 31, 2019, less \$18,585 collections received in 2020, plus \$376,708 total uncollected 2020 assessments, less the following 2020 written-off assessments which were deemed as uncollectable: LAUSD \$78,229 (50% of total assessed), Caltrans \$56,741 (100% of total assessed) and other private parcels \$6,387. These LAUSD, Caltrans and private parcels write-offs occur every year and were not due to the COVID-19 pandemic. Nonetheless, the outstanding assessments at the end of 2020 increased as an effect of the COVID-19 pandemic.

(e) General Benefit Revenue

Per the 2019-through-2026 Management District Plan, billed assessments were reduced by an estimated 2.3% General Benefit component within the Service Programs. The Association is required to use "non-assessment" funds to pay for the General Benefit component. For years 2020 and 2019 the City of Los Angeles contributed these funds, \$124,511 and \$117,463 respectively.

(f) Other Revenues

For 2020 Other Revenues were: Service Revenue to provide maintenance for the Broadway St. Plazas \$11,283 (for service January 1 through March 31, 2020; per the City's request no service was provided April through December due to the COVID-19 pandemic), Investment Income \$11,106, Website Advertisement Revenue \$11,067, Revenue from Disposal of Capital Equipment \$12,990, Special Event Sponsorship \$1,000 and Miscellaneous Other Revenues \$586.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2020**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Concentration of Credit Risk

Financial instruments that subject the Association to potential concentration of credit risk consist principally of cash and cash equivalents, money market accounts and investments in certificates of deposit. The Association maintains its cash, money market accounts and investments in City National Bank and Merrill Lynch. Bank balances and money market accounts are subject to coverage by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) up to statutory limits and by other bank-provided private insurance. The Association has not experienced and does not anticipate any losses related to these balances.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash in bank, money market accounts and short-term (maturing in three months or less as of year-end) certificates of deposit.

(i) Property and Equipment

Property and equipment is depreciated using the straight-line method over the estimated useful lives (3 to 5 years) of the individual assets. Leasehold improvements are amortized over the estimated useful lives, or the term of the related leases, whichever is shorter, using the straight-line method.

(j) Advertising and Promotion

The Association expenses all costs of advertising and promotion as incurred. Such costs were \$38,912 and \$43,353 for years ended 2020 and 2019, respectively.

(k) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

(l) Legal Assertions

Various claims, generally incidental to the conduct of normal business, are pending or threatened against the Association from time to time. While ultimate liability, if any, is presumably indeterminable, in the opinion of management, the ultimate resolutions may not have a materially adverse effect on the financial condition of the Association.

(m) Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are mainly wages/benefits/taxes, which are allocated on the basis of estimates of time and effort to the benefiting programs or supporting functions.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2020**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Fair Value Measurements

Fair Value Standards under FASB Accounting Standards Codification (ASC) 820-10 establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Quoted market prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(3) CASH AND CASH EQUIVALENTS FAIR VALUE MEASUREMENTS

At December 31, 2020 and 2019, the Association had cash and cash equivalents as follows:

<u>Cash and Cash Equivalents</u>	<u>2020</u>	<u>2019</u>
Certificates of Deposit	\$ -	\$ 600,000
Money Market Account - Merrill Lynch (yield rate 0.03% at y/end)	1,061,289	288,417
Money Market Account - 8th & S. Pedro Proj. Funds (yield rate 0.03% at y/end)	23,421	23,296
Checking Account - City National Bank	125,002	73,780
Money Market Account - City National Bank (yield rate 0.50% at y/end)	250,244	-
Emergency Cash Fund	2,500	-
Petty Cash Fund	1,000	1,000
Total	<u>\$ 1,463,456</u>	<u>\$ 986,493</u>

No Certificates of Deposit were held at December 31, 2020. At December 31, 2019, the certificates of deposit were classified as Level 2 assets, and there were no transfers in or out of Level 2 during the year.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2020**

(4) ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	<u>2020</u>	<u>2019</u>
Collected Assessments Pending Remittal by the City of LA	\$ -	\$ 94,968
LADOT Receivable		11,477
Santee Alley Receivable	26,512	-
Other Miscellaneous Receivables	931	258
Accounts Receivable Total	<u>\$ 27,443</u>	<u>\$ 106,703</u>
Prepaid Insurance	\$ 58,056	\$ 53,276
Prepaid Rent	12,526	12,188
Other Prepaid Expenses	7,909	10,781
Refundable Deposits	11,900	11,900
Prepaid Expenses Total	<u>\$ 90,391</u>	<u>\$ 88,145</u>

(5) NET ASSETS WITHOUT DONOR RESTRICTIONS

The Association allocates certain Net Assets Without Donor Restrictions to designated reserves to facilitate the spending policies established by the Board of Directors, subject to re-consideration as operational needs change. The net assets and changes therein have been classified and are reported as follows:

- Non-Assessment Revenues Fund - This fund includes the following revenues collected in 2020: Service Revenue to provide maintenance for the Broadway St. Plazas \$21,876, Website Advertising Revenue \$11,067, Special Event Sponsorship \$1,000, and Commission from vending machines at the field office \$586.
- Designated for Public Art - The \$1,844 net profit generated from the 2017 Urban Dinner Party was designated as an accumulating fund to promote Public Art in the LA Fashion District. There was no Urban Dinner Party in 2018 and 2019 due to delay in construction completion of the venue and there was no event in 2020 due to the COVID-19 pandemic.
- Designated for 2021 Operating Budget - Tree Trimming \$100,000, Economic Development Strategies \$117,000, balance of Art Installation Project started in 2020 \$42,625, and \$29,747 to balance the overall 2021 operating budget.
- Designated for Matching Funds for MTA Projects - The Board designated \$100,000 to be used to obtain \$1.2 million in funding for streetscape improvements from Olympic Boulevard to Pico Boulevard and from Santee Street to Maple Street (Phase 1); (in 2013 \$2,187 was spent to set up a system of removable vehicle-stopping poles at the entrances of the Santee Alley; in 2017-2018 \$13,526 was spent to fund 25% of the cost to provide portable toilet service in the Santee Alley; in 2019 the Board approved absorbing \$58,287 into general funds, leaving a \$26,000 balance as of December 31, 2019, which the Board approved to fund approximately 50% of the estimated cost to install mechanical security gates at the Santee Alley entrances); plus \$50,000 to obtain \$1.6 million in funding for streetscape improvements on Los Angeles Street between 7th Street and Olympic Boulevard (Phase 2); (in 2017-2018 \$33,596 was spent on light fixtures, paver tiles, planter fences and other supplies, in 2019 \$16,404 was used to fund approximately 50% of the remaining cost of an Economic Development Marketing Plan for Los Angeles St.). A balance of \$26,000 remains available as of December 31, 2020.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

Notes to Financial Statements

Year Ended December 31, 2020

(5) NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)

- Designated for Board Strategic Planning - This \$10,000 reserve was for an expense expected in year 2021 but this reserve has been eliminated as of December 31, 2020.
- Designated for Tree Trimming - This \$100,000 reserve is to trim trees in year 2024. Trees are trimmed on an every 3rd year cycle.
- Designated for BID Renewal - This \$100,000 reserve is for expenses expected in years 2025 and 2026, the last two years of the current BID period.
- Prepaid Expenses - This \$90,391 represents the value of prepayments made for Insurance, Rent and Other Expenses. The related expenses will be recognized in 2021.
- Designated for Future Capital Equipment Purchases in year 2021 - This \$207,790 reserve is allocated for 1 street sweeper truck, 4 solar-powered compacting trash cans, 1 copier machine, 1 server and installing an electric gate at the Field Operations Parking Lot.
- Designated for Future Capital Equipment Purchases in years 2022 through 2026 - This \$542,642 reserve is allocated to replace existing capital equipment, primarily trash collector, graffiti and pressure washing trucks, patrol vehicles, bicycles, computers and two-way radios, etc.
- Investment in Existing Property and Equipment - This \$382,978 represents the carrying value of property and capitalized equipment, at cost, net of accumulated depreciation and amortization.

(6) MAJOR VENDORS

For the years ended December 31, 2020 and 2019, approximately 58% and 61%, respectively of the Association's expenses (not including the Santee Alley Overlay) were from two major vendors: Chrysalis (cleaning services)(\$1,756,726 for 2020 and \$2,101,889 for 2019) and Allied Universal Security Services (safety services)(\$1,150,417 for 2020 and \$1,002,850 for 2019).

(7) RELATED PARTY TRANSACTIONS

The Association's Board of Directors has a conflict of interest policy in place that is intended to assure the Association stakeholders that the decisions of the Association are made objectively and with full knowledge of the involvement, if any, of the Board of Directors and staff. At times during the course of the year, the Association may determine that doing business with a Board member is in the best interest of the Association. In accordance with the Association's bylaws, such transactions are reviewed and approved by the Association's Board of Directors, with the involved Director(s) recusing themselves from voting.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2020**

(8) LEASE COMMITMENTS

In December 2018, the Association entered into an operating lease agreement with a related party for its administrative office for a 4-year term ending on January 31, 2023 with a fixed \$100 increase to the monthly rent every year. The Association will have the option to extend the lease for 4 additional years through February 28, 2027. See also Note 7, Related Party Transactions.

In December 2018, the Association extended its operating lease agreement for its field office with an unrelated party for a 4-year term, ending on February 28, 2023 with 3% annual rent increases. The Association will have the option to extend the lease for 4 additional years through February 28, 2027.

In December 2018, the Association extended its operating lease agreement with an unrelated party for the use of a vacant lot to park personnel vehicles and to store trash roll-off containers for a 4-year term, ending on January 31, 2023 with a fixed \$50 increase to the monthly rent every year. This agreement does not contain an option to extend the lease.

Future minimum lease payments are as follows:

Year ending December 31,	Facilities Leases	Lot Used for Vehicle Parking & Trash Bins	Totals
2021	\$ 131,735	\$ 22,150	\$ 153,885
2022	135,306	22,750	158,056
2023	18,134	1,900	20,034
Total	<u>\$ 285,175</u>	<u>\$ 46,800</u>	<u>\$ 331,975</u>

Rent expense for the years ended December 31, 2020 and 2019 was \$122,796 and \$96,522, respectively.

(9) RETIREMENT PLAN

The Association sponsors a defined contribution SIMPLE IRA retirement plan covering all of the Association's full-time employees, after one year of employment. The plan allows employee contributions up to statutory limits and employer matching (fully vested and nonforfeitable) contributions up to 3% of employees' annual compensation. For the years ended December 31, 2020 and 2019, the Association made employer matching contributions to the plan totaling \$24,238 and \$17,642, respectively.

(10) INCOME TAXES

The Association is exempt from taxes under Section 501(c)(6) of the Internal Revenue Code (IRC), and from federal and state income taxes under Section 501(a) of the IRC and corresponding sections of the California Revenue and Taxation Code. Accordingly, no provision or benefit for federal or state income taxes is recorded in the accompanying financial statements.

The Association's federal income tax returns for tax years 2017 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its only state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2016 and beyond.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2020**

(11) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of the statement of financial position date reduced, if any, by amounts not available for general use because of contractual or donor-imposed restrictions or Board designations within one year of the statement of financial position at December 31, 2020.

Cash and Cash Equivalents	\$ 1,463,456
Accounts Receivable	27,443
Less Funds Needed for:	
Accounts Payable and Accrued Expenses	(163,701)
8th and San Pedro Median Project Funds	(23,421)
BID Consortium Funds	(1,600)
Designated for Public Art Fund	(1,844)
Designated for 2021 Operating Budget	(289,372)
Designated for MTA Projects' Matching Funds in 2021	(26,000)
Designated for Future Capital Equipment Purchases in 2021	<u>(207,790)</u>
Net Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 777,171</u></u>

None of the net financial assets are subject to donor or other contractual restrictions outside the Association's mission that makes them unavailable for general expenditure within one year of the statement of financial position. Accounts Receivable will be collected early in 2021. The Association has a goal to maintain financial assets, which consist of cash on hand to meet 30 days of normal operating expenses. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Most of the Association's funding comes from special assessments billed to the member property owners either on the County of Los Angeles' annual property tax bills or directly billed by the City of Los Angeles. Approximately 40% of the total billed by the County is remitted to the Association by early February every year, with the rest of the funds remitted in subsequent installments reaching approximately 97% in July. The Association adheres to a strict annual operating budget. These factors make the Association less susceptible to unanticipated liquidity needs.

(12) SUBSEQUENT EVENTS AND EMPHASIS OF MATTER

The Association has evaluated events subsequent to December 31, 2020, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 10, 2021, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

In March 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events and the potential impact on the Association cannot be reasonably estimated at this time.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2020**

(13) SCHEDULE OF EXPENSES BY BOTH NATURE AND FUNCTION

The schedule below presents expenses by both their nature and function for the year ended December 31, 2020.

Natural Category	Program Activities					Supporting Activities				Total
	Cleaning	Safety	Communication	Special Projects	Santee Alley Overlay	Management	Provision for Uncollected Assessments	Depreciation	City and County Collection Costs	
Contracted Services	\$ 1,633,871	\$ 1,152,094	\$ -	\$ -	\$ 191,076	\$ -	\$ -	\$ -	\$ -	\$ 2,977,041
Wages/Benefits/Taxes	278,009	194,284	188,913	183,621	29,000	83,384	-	-	-	957,210
Santee Alley Overlay	-	-	-	-	552,833	-	-	-	-	552,833
Uncollected Assessments	-	-	-	-	-	-	376,708	-	-	376,708
Equipment and Supplies	156,658	50,913	-	-	-	-	-	-	-	207,571
Occupancy	53,282	53,282	27,238	-	-	32,353	-	-	-	166,155
Depreciation and Amortization	-	-	-	-	-	-	-	132,796	-	132,796
Insurance	39,232	10,663	-	-	-	63,242	-	-	-	113,137
Consultants and Professional Svcs	-	-	45,758	40,292	-	17,477	-	-	-	103,526
Information Technology	11,076	11,028	14,758	18,231	-	22,961	-	-	-	78,053
Office Expenses	6,629	5,669	7,575	-	-	27,559	-	-	-	47,433
Advertising and Promotion	-	-	31,670	7,242	-	-	-	-	-	38,912
City/County Fees	-	-	-	-	-	-	-	-	26,662	26,662
Meetings/Conferences	601	264	-	-	-	7,117	-	-	-	7,982
Total	\$ 2,179,358	\$ 1,478,196	\$ 315,912	\$ 249,385	\$ 772,909	\$ 254,093	\$ 376,708	\$ 132,796	\$ 26,662	\$ 5,786,019
Section Sub-Total			\$ 4,995,760				\$ 790,259			\$ 5,786,019
Percent of Total Expenses			86%				14%			