

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

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2022  
(With comparative totals for 2021)**

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

**TABLE OF CONTENTS**

**Year Ended December 31, 2022**

|  | <u>Page</u> |
|--|-------------|
| <b>INDEPENDENT ACCOUNTANTS' REPORT</b> | 1-2         |
| <b>FINANCIAL STATEMENTS:</b>           |             |
| Statement of Financial Position        | 3           |
| Statement of Activities                | 4           |
| Statement of Cash Flows                | 5           |
| Notes to Financial Statements          | 6-16        |



**LLP**

Certified Public Accountants and Business Consultants

Member of American Institute of Certified Public Accountants and California Society of Public Accountants  
Participant in Quality Review Program of AICPA

---

## INDEPENDENT ACCOUNTANT'S REVIEW 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 reviewed 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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Change in Accounting Principle**

As discussed in Notes 2 and 8 to the financial statements, the Association changed its method of accounting for leases as of January 1, 2022 due to the adoption of Accounting Standard Codification Topic 842, Leases.

### **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 the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT - CONTINUED**

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Prior Year Financial Statements**

The 2021 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated March 31, 2022. We have not performed any auditing procedures since that date.

GTL, LLP

Certified Public Accountants  
Sherman Oaks, California  
April 20, 2023

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION**  
**DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**  
**Statement of Financial Position**  
**December 31, 2022**  
**(With Comparative Totals for 2021)**

|   | 2022         | 2021         |
|---|--------------|--------------|
| ASSETS  | Reviewed     | Audited      |
| Current Assets:   |              |              |
| Cash and Cash Equivalents (Note 3)  | \$ 1,620,437 | \$ 1,450,808 |
| Assessments Receivable, net of allowance for uncollected assessments of \$173,588 and \$228,091, for 2022 and 2021, respectively (Note 2) | -            | -            |
| Accounts Receivable (Note 4)  | 71,333       | 140,233      |
| Prepaid Expenses (Note 4)   | 120,762      | 94,906       |
| Total Current Assets  | 1,812,532    | 1,685,947    |
| Property and Equipment (Note 2):  |              |              |
| Field Equipment   | 521,663      | 704,926      |
| Website   | 32,694       | 32,694       |
| Leasehold Improvements  | 100,297      | 100,297      |
| Computers   | 39,388       | 42,711       |
| Furniture and Fixtures  | 19,132       | 29,006       |
|   | 713,174      | 909,634      |
| Less Accumulated Depreciation and Amortization  | (480,032)    | (487,457)    |
| Net Property and Equipment  | 233,142      | 422,177      |
| Operating Lease - Right of Use Assets, net (Notes 2,8)  | 702,943      | -            |
| Total Assets  | \$ 2,748,617 | \$ 2,108,124 |
| <b>LIABILITIES AND NET ASSETS</b>   |              |              |
| Current Liabilities:  |              |              |
| Accounts Payable and Accrued Expenses   | \$ 438,441   | \$ 241,169   |
| 8th and San Pedro Median Project Funds  | 23,921       | 23,521       |
| Total Current Liabilities   | 462,362      | 264,690      |
| Operating Lease Liabilities, net (Notes 2,8)  | 722,366      | -            |
| Commitments and Contingencies (Notes 2, 8, 9, 12)   | -            | -            |
| Total Liabilities   | 1,184,728    | 264,690      |
| Net Assets Without Donor Restrictions (Note 5):   |              |              |
| Designated for 2023 Operating Budget  | 221,000      | 383,000      |
| Designated for MTA Projects' Matching Funds (S. Alley Gates)  | 26,000       | 26,000       |
| Designated for Capital Equipment Purchases in 2023  | 40,000       | -            |
| Designated for Tree Trimming in 2024  | 180,000      | 150,000      |
| Designated for BID Renewal in 2025-2026   | 100,000      | 100,000      |
| Designated for Capital Equip/Leasing and/or Operating Needs in 2024-2026  | 642,985      | 667,351      |
| Prepaid Expenses  | 120,762      | 94,906       |
| Investment in Existing Property and Equipment (net of accm depreciation)  | 233,142      | 422,177      |
| Total Net Assets Without Donor Restrictions   | 1,563,889    | 1,843,434    |
| Total Liabilities and Net Assets  | \$ 2,748,617 | \$ 2,108,124 |

See accompanying independent accountants' review report and notes to financial statements

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION**  
**DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**  
**Statement of Activities**  
**Year Ended December 31, 2022**  
**(With Comparative Totals for 2021)**

|  | 2022         | 2021         |
|--|--------------|--------------|
|  | Reviewed     | Audited      |
| Changes in Net Assets Without Donor Restrictions:            |              |              |
| BID REVENUES (Note 2):                                       |              |              |
| Assessment Revenue:  |              |              |
| Business Improvement District - Assessments                  | \$ 5,325,934 | \$ 5,217,031 |
| Collection of Prior Years' Unpaid Assessments                | 111,800      | 194,854      |
| Collection of Penalties and Interest                         | 19,374       | 44,616       |
|  | 5,457,108    | 5,456,501    |
| General Benefit Revenue                                      | 125,942      | 124,511      |
| Investment Income  | 31,900       | 1,222        |
| Website Advertisement Revenue                                | -            | 7,804        |
| Gain from Disposal of Capital Equipment                      | 63,251       | -            |
| Miscellaneous Other Revenues                                 | 4,837        | 1,112        |
| BID Revenues   | 5,683,038    | 5,591,150    |
| OVERLAY REVENUES (Note 2):                                   |              |              |
| Santee Alley - Overlay Assessments (pass-through)            | 793,271      | 755,496      |
| Santee Alley - General Benefit Revenue (pass-through)        | 18,284       | 17,413       |
| Overlays Revenues Sub-Total                                  | 811,555      | 772,909      |
| Total Revenues   | 6,494,593    | 6,364,059    |
| EXPENSES:  |              |              |
| BID FUNCTIONAL EXPENSES (Notes 2, 13):                       |              |              |
| Cleaning   | 2,876,189    | 2,663,763    |
| Safety   | 1,537,757    | 1,539,918    |
| Communication  | 279,531      | 273,474      |
| Special Projects   | 464,753      | 239,582      |
| Management   | 434,752      | 348,403      |
| Provision for Uncollected Assessments                        | 200,250      | 293,786      |
| Depreciation and Amortization                                | 141,996      | 137,642      |
| City and County Admin Fees                                   | 27,355       | 26,694       |
| BID Functional Expenses                                      | 5,962,583    | 5,523,262    |
| OVERLAY EXPENSES (Note 2):                                   |              |              |
| Santee Alley Overlay (pass-through)                          | 811,555      | 772,909      |
| Overlay Expenses   | 811,555      | 772,909      |
| Total Expenses   | 6,774,138    | 6,296,171    |
| Increase (Decrease) in Net Assets Without Donor Restrictions | (279,545)    | 67,888       |
| NET ASSETS - Beginning of Year                               | 1,843,434    | 1,775,546    |
| NET ASSETS - End of Year                                     | \$ 1,563,889 | \$ 1,843,434 |

See accompanying independent accountants' review report and notes to financial statements

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

**Statement of Cash Flows  
Year Ended December 31, 2022  
(With Comparative Totals for 2021)**

|   | 2022         | 2021         |
|---|--------------|--------------|
|   | Reviewed     | Audited      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |              |              |
| Change in Net Assets Without Donor Restrictions   | \$ (279,545) | \$ 67,888    |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash and Cash Equivalents Provided by Operating Activities: |              |              |
| Depreciation and Amortization   | 141,996      | 137,642      |
| Gain on Disposal of Equipment   | (63,251)     | -            |
| Non-cash lease expense  | 19,423       | -            |
| Changes in Current Assets and Liabilities:  |              |              |
| Accounts Receivable   | 68,900       | (112,790)    |
| Prepaid Expenses  | (25,856)     | (4,515)      |
| Accounts Payable and Accrued Expenses   | 197,271      | 77,467       |
| 8th and San Pedro Median Project Funds  | 400          | 100          |
| BID Consortium Funds  | -            | (1,600)      |
|   | 59,339       | 164,192      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |              |              |
| (Purchases) of Equipment  | (8,529)      | (176,840)    |
| Proceeds from Sale of Equipment   | 118,820      | -            |
|   | 110,291      | (176,840)    |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 169,630      | (12,648)     |
| CASH AND CASH EQUIVALENTS, beginning of year  | 1,450,808    | 1,463,456    |
| CASH AND CASH EQUIVALENTS, end of year  | \$ 1,620,438 | \$ 1,450,808 |
| <b>Supplemental Disclosure of Cash Flow Information:</b>  |              |              |
| Right-of-use asset upon adoption of ASC842, at January 1, 2022  | \$ 860,263   | \$ -         |
| Operating lease liability upon adoption of ASC842, at January 1, 2022   | \$ 860,263   | \$ -         |

The Association's total of \$8,529 capital equipment purchases at cost during 2022 consisted of two laptops \$4,155 and installation of a keypad/card reader access system at the Administrative Office \$4,374. During 2022, the Association disposed of \$204,989 worth of capital equipment at original cost and received \$118,820 in cash proceeds; thus, recognizing a \$63,251 gain, which was equal to the proceeds received in excess of \$55,569 Net Book Value. The capital equipment disposed of consisted of two cleaning trucks (\$78,160 cash proceeds), two safety patrol SUVs (\$33,000 cash proceeds), and one pressure washer system on a trailer (\$7,660 cash proceeds). The following capital equipment was disposed of without cash proceeds and fully depreciated: one laptop, two office phone systems, one copier machine, and one Geopal CRM System.

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

**Notes to Financial Statements  
Year Ended December 31, 2022**

**(1) NATURE OF ORGANIZATION**

Downtown Los Angeles Property Owners Association, (the "Association"), dba 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) Adoption of Accounting Standards*

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the most significant change from the previous guidance is the requirement to recognize the right-of-use ("ROU") assets and lease liabilities on the statements of financial position for leases classified as operating leases. The standard also requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Association adopted the new guidance effective January 1, 2022.

*(b) 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 (program or time) restrictions.



**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION  
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT  
Notes to Financial Statements  
Year Ended December 31, 2022**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(c) 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 with no effect on previously reported net assets.

(d) Revenue Recognition

Assessment revenue is recognized when billed and consists of real estate special assessments levied on property parcels based on benefits received, as approved by property owners and the City of Los Angeles in the Management District Plan. Unspent funds are rolled forward in net assets available to assist in covering the following years' Association operations.

Parcels with footage fronting the Santee Alley pay an additional Santee Alley Overlay Assessment 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 acts as fiscal agent for SMAA and receives the overlay assessments from the City and fully transfers those overlay assessments to SMAA as a pass-through in the Association's financials. The 2022 revenue was composed of \$793,271 billed overlay assessments and \$18,284 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, 2022 and 2021 totaled \$5,457,108 and \$5,456,501, 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, \$27,355 and \$26,694 for the years ended December 31, 2022 and 2021, respectively.

(e) 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, 2022 and 2021, the allowances for uncollected assessments receivable were \$173,588 and \$228,091, respectively, and composed of only outstanding private-parcel assessments. The \$173,588 balance was composed of the \$228,091 uncollected assessments at December 31, 2021, less \$111,800 collections received in 2022, plus \$200,250 total uncollected 2022-year assessments, less the following 2022 written-off assessments which were deemed as uncollectable: LAUSD \$79,793 (50% of total assessed), Caltrans \$57,876 (100% of total assessed) and private parcels \$5,284. These LAUSD, Caltrans and private parcels' write-offs occur every year.

(f) General Benefit Revenue

Per the 2019-through-2026-year 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 2022 and 2021 the City of Los Angeles contributed non-assessment funds of \$125,942 and \$124,511 respectively.

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

**Notes to Financial Statements  
Year Ended December 31, 2022**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(g) Other Revenues

For 2022 other revenues were: Gain from Disposal of Capital Equipment \$63,251 (cash proceeds received in excess of the current book value), Investment Income \$31,900, and Miscellaneous Other Revenues \$4,837. For 2021 other revenues were: Website Advertisement and Sponsored Content Revenue \$7,804, Investment Income \$1,222, and Miscellaneous Other Revenues \$1,112.

(h) 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.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash in bank, money market accounts and certificates of deposit.

(j) Property and Equipment

Property and equipment is depreciated using the straight-line method over the estimated useful lives (3 to 8 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.

(k) Advertising and Promotion

The Association expenses all costs of advertising and promotion as incurred. Such costs were \$111,075 and \$60,306 for years ended 2022 and 2021, respectively.

(l) 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.

(m) 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 will not have a materially adverse effect on the financial condition of the Association.

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

**Notes to Financial Statements  
Year Ended December 31, 2022**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(n) 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.

(o) Change in Accounting Principle - Leases

The Association applies Accounting Standards Codification ("ASC") 842, Leases, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant or equipment for a period of time in excess of twelve months in exchange for consideration. The Association defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. The Association further determines all the existing leases are operating leases, which are included in right of use ("ROU") assets and lease liabilities in the Statement of Financial Position. ROU assets represent the Association's right to use leased assets over the term of the lease. Lease liabilities represent the Association's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. ROU assets are calculated as the present value of the future lease payments adjusted by any deferred rent liability and lease incentives. ROU assets and lease liabilities are recognized at the lease commencement date. The Association uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Association uses the incremental borrowing rate at the lease commencement date to determine the present value of the future lease payments. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. To the extent a lease arrangement includes both lease and non-lease components, the Association assumes the non-lease components are part of the operating lease.

As part of the transition to ASC 842, Association uses the modified retrospective approach to measure and recognize leases that existed at January 1, 2022. The Association elected to apply ASC 842 retrospectively at the beginning of the period of adoption through a cumulative effect adjustment as of January 1, 2022. The Association applies the short-term lease exemption of not recognizing a ROU asset and lease liability for leases that have terms of 12 months or less.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of \$860,263 and \$860,263 as of January 1, 2022. There is no cumulative effect adjustment to the net assets without donor restrictions at the transition date.

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

**Notes to Financial Statements  
Year Ended December 31, 2022**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) 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. The Association's money market funds at December 31, 2022 and 2021 are considered to be level 1 investments.

**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.

**(q) Comparative Financial Information**

The accompanying 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**(3) CASH AND CASH EQUIVALENTS FAIR VALUE MEASUREMENTS**

At December 31, 2022 and 2021, the Association had cash and cash equivalents as follows:

| <u>Cash and Cash Equivalents</u>                                    | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| Certificates of Deposit (yield rates 3.3% - 3.5%)                   | \$ 741,000          | \$ -                |
| Money Market Account - Merrill Lynch (yield rate 0.03% at year-end) | 819,282             | 1,074,133           |
| Checking Account - City National Bank                               | 56,655              | 122,234             |
| Money Market Account - City National Bank                           | -                   | 250,941             |
| Emergency Cash Fund   | 2,500               | 2,500               |
| Petty Cash Fund   | 1,000               | 1,000               |
| Total   | <u>\$ 1,620,437</u> | <u>\$ 1,450,808</u> |

The Certificates of Deposit at December 31, 2022 had maturities in January, 2023 and are planned to be held to maturity. At December 31, 2022, the Certificates of Deposit are 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, 2022**

**(4) ACCOUNTS RECEIVABLE AND PREPAID EXPENSES**

|  | 2022       | 2021       |
|--|------------|------------|
| Collected Assessments and Penalties Pending Remittal by City of LA | \$ 60,399  | \$ 128,675 |
| Receivables from City of LA and Vendor for Broadway Holiday Event  | -          | \$ 7,256   |
| Santee Alley Receivable  | 3,239      | -          |
| Accrued Interest Receivable from Certificates of Deposit           | 6,073      | -          |
| Other Miscellaneous Receivables                                    | 1,622      | 4,302      |
| Total Accounts Receivable  | \$ 71,333  | \$ 140,233 |
| <br>   |            |            |
| Prepaid Insurance  | \$ 68,493  | \$ 61,892  |
| Prepaid Rent   | 13,217     | 12,868     |
| Other Prepaid Expenses   | 23,151     | 8,246      |
| Refundable Deposits  | 15,900     | 11,900     |
| Total Prepaid Expenses   | \$ 120,762 | \$ 94,906  |

**(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:

- Designated for 2023 Operating Budget - \$52,000 rollover 2022 unspent funds are allocated to continue to do seasonal decorations of the 9th and Main Street Median and for the upkeep of the way-finding wrapped utility boxes put in place in 2022. \$169,000 is allocated to help fund the provision by the cleaning and safety vendors of trucks and equipment (including related operating costs). These funds come from the Reserve for Capital Equipment Replacement/Leasing and/or Operating Needs.
- Designated for Matching Funds for MTA Projects - In 2001, 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. The improvements were completed in 2009; however, the Association's \$100,000 pledged contribution was not requested by the City of Los Angeles. 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 the 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. As of December 31, 2022, the \$26,000 remained unspent due to the Santee Maple Alley Association encountering difficulty in obtaining permits for the mechanical security gates.
- Designated for Future Capital Equipment Purchases in year 2023 - \$40,000 for Leasehold Improvements at the Field Office and Administration Office. At the Field Office: Install a card reader and keypad security access system, new walls to enclose a new dispatch area, and make improvements to the lobby, field staff break room, locker room, restroom, and office areas. The Admin Office: Install a card reader and keypad security access system and video intercom system.

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

**Notes to Financial Statements**

**Year Ended December 31, 2022**

**(5) NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)**

- Designated for Tree Trimming - This \$180,000 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.
- Designated for Future Capital Equipment Replacement/Leasing and/or Operating Needs in years 2024 through 2026 - This reserve is allocated to replace (through purchase, lease, or provision by the cleaning and security vendors) existing capital equipment, which primarily consists of street-sweeping, trash collector, graffiti and pressure washing trucks, safety patrol vehicles, bicycles, computers, and two-way radio system, etc., and/or for operating budget needs.
- Prepaid Expenses - This \$120,762 represents the value of prepayments made for Insurance, Rent and Other Expenses. The related expenses will be recognized in 2023.
- Investment in Existing Property and Equipment - This \$233,142 amount 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, 2022 and 2021, approximately 58% and 52%, respectively, of the Association's total expenses (including the Santee Alley Overlay) were from three major vendors: StreetPlus (cleaning services) (\$1,631,645 for 2022 and \$359,851 for 2021), Century Maintenance Group (cleaning services) (\$1,074,433 for 2022 and \$76,526 for 2021) and Allied Universal Security Services (safety services) (\$1,217,894 for 2022 and \$1,207,657 for 2021). At December 31, 2022, there was \$315,687 owed to these three vendors, which was included in accounts payable and accrued expenses in the statement of financial position.

**(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. Such transactions are reviewed and approved by the Association's Board of Directors, with the involved Director(s) recusing themselves from voting. See also Note 8, Lease Commitments.

Parcels with footage fronting the Santee Alley pay an additional Santee Alley Overlay Assessment 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 acts as fiscal agent for SMAA and receives the overlay assessments from the City and fully transfers those overlay assessments to SMAA as a pass-through in the Association's financial statements.

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

**Notes to Financial Statements  
Year Ended December 31, 2022**

**(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. In October 2022, the Association extended the lease for 49 additional months through February 28, 2027, with a continuing fixed \$100 increase to the monthly rent every year. 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. In January 2023, the Association extended the lease for 4 additional years through February 28, 2027, with 3% annual rent increases via the agreement's auto extension.

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. In January 2023, the Association extended the lease for 4 additional years through January 31, 2027, with 3% annual rent increases.

In January 2022, the Association entered into an operating lease agreement with Ford Credit for a 2022 Ford Explorer (Admin. Vehicle) for a 36-month lease term ending on January 6, 2025, with a fixed \$680 monthly payment for term of the lease.

In November 2022, the Association entered into an operating lease agreement with Xerox Financial Services for a Xerox C8155 (Xerox Copier) for a 63-month lease term ending on February 29, 2028, with an initial fixed \$219 monthly payment, subject to an up to 15% increase every 12 months.

Lease liability maturities as of December 31, 2022 are as follows:

| Year ending<br>Dec 31, | Admin<br>Office   | Field<br>Office   | Parking<br>Lot    | Admin<br>Vehicle | Xerox<br>Copier       | Totals            |
|------------------------|-------------------|-------------------|-------------------|------------------|-----------------------|-------------------|
| 2023                   | \$ 46,978         | \$ 71,257         | \$ 28,619         | \$ 7,647         | \$ 2,212              | \$ 156,713        |
| 2024                   | 50,114            | 76,716            | 32,977            | 7,959            | 2,259                 | 170,025           |
| 2025                   | 53,378            | 82,474            | 35,448            | 678              | 2,351                 | 174,329           |
| 2026                   | 56,775            | 88,545            | 38,054            | -                | 2,447                 | 185,821           |
| 2027                   | 14,602            | 22,864            | 6,524             | -                | 2,546                 | 46,536            |
| 2028                   | -                 | -                 | -                 | -                | 652                   | 652               |
| Total                  | <u>\$ 221,847</u> | <u>\$ 341,856</u> | <u>\$ 141,622</u> | <u>\$ 16,284</u> | <u>\$ 12,467</u>      | <u>734,076</u>    |
|                        |                   |                   |                   |                  | Less imputed interest | <u>(11,710)</u>   |
|                        |                   |                   |                   |                  | Total lease liability | <u>\$ 722,366</u> |

Rent payments for the offices for the years ended December 31, 2022 and 2021 was \$135,306 and \$131,735, respectively, and is included in occupancy related costs in Note 13, Schedule of Expenses by Both Nature and Function.

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

**Notes to Financial Statements  
Year Ended December 31, 2022**

**(9) RETIREMENT PLAN**

The Association sponsors a defined contribution SIMPLE IRA retirement plan covering all of the Association's 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, 2022 and 2021, the Association made employer matching contributions to the plan totaling \$16,050 and \$21,063, 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 2019 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 2018 and beyond.

**(11) SUBSEQUENT EVENTS**

The Association has evaluated events subsequent to December 31, 2022, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through April 20, 2023, 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.



**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION**

**Notes to Financial Statements  
Year Ended December 31, 2022**

**(12) 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, 2022.

|   |                          |
|---|--------------------------|
| Cash and Cash Equivalents   | \$ 1,620,437             |
| Accounts Receivable   | 71,333                   |
| Less Funds Needed for:  |                          |
| Accounts Payable and Accrued Expenses   | (438,441)                |
| 8th and San Pedro Median Project Funds  | (23,921)                 |
| Lease liability maturities - 2023   | (156,713)                |
| Designated for 2023 Operating Budget  | (221,000)                |
| Designated for MTA Projects' Matching Funds (S. Alley Gates)                                  | (26,000)                 |
| Designated for Capital Equipment Purchases in 2023  | <u>(40,000)</u>          |
| Net Financial Assets Available to Meet Cash Needs<br>for General Expenditures Within One Year | <u><u>\$ 785,695</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 at December 31, 2022. Accounts receivable will be collected early in 2023. 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.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION  
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT  
Notes to Financial Statements  
Year Ended December 31, 2022**

**(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, 2022.

| Natural Category                  | Program Activities  |                     |                     |                   |                      | Supporting Activities |                                       |                               |                                  | Total               |
|-----------------------------------|---------------------|---------------------|---------------------|-------------------|----------------------|-----------------------|---------------------------------------|-------------------------------|----------------------------------|---------------------|
|                                   | Cleaning            | Safety              | Communication       | Special Projects  | Santee Alley Overlay | Management            | Provision for Uncollected Assessments | Depreciation and Amortization | City and County Collection Costs |                     |
| Contracted Services               | \$ 2,438,771        | \$ 1,227,952        | \$ -                | \$ 18,352         | \$ 298,440           | \$ -                  | -                                     | \$ -                          | \$ -                             | \$ 3,983,516        |
| Wages/Benefits/Taxes              | 192,756             | 192,756             | 196,695             | 176,062           | 29,870               | 97,252                | -                                     | -                             | -                                | 885,391             |
| Santee Alley Overlay              | -                   | -                   | -                   | -                 | 483,245              | -                     | -                                     | -                             | -                                | 483,245             |
| Equipment and Supplies            | 171,027             | 39,538              | -                   | 20,096            | -                    | -                     | -                                     | -                             | -                                | 230,661             |
| Occupancy                         | 65,692              | 65,692              | 30,385              | -                 | -                    | 53,642                | -                                     | -                             | -                                | 215,410             |
| Uncollected Assessments           | -                   | -                   | -                   | -                 | -                    | -                     | 200,250                               | -                             | -                                | 200,250             |
| Economic Dev. & Advocacy          | -                   | -                   | 25,879              | 137,867           | -                    | -                     | -                                     | -                             | -                                | 163,746             |
| Depreciation and Amortization     | -                   | -                   | -                   | -                 | -                    | -                     | -                                     | 141,996                       | -                                | 141,996             |
| Advertising and Promotion         | -                   | -                   | -                   | 111,075           | -                    | -                     | -                                     | -                             | -                                | 111,075             |
| Insurance                         | -                   | 3,726               | -                   | -                 | -                    | 94,469                | -                                     | -                             | -                                | 98,195              |
| Consultants and Professional Svcs | -                   | -                   | 4,250               | -                 | -                    | 79,957                | -                                     | -                             | -                                | 84,207              |
| Office Expenses                   | 7,232               | 7,232               | 9,495               | 1,300             | -                    | 34,051                | -                                     | -                             | -                                | 59,311              |
| Information Technology            | -                   | -                   | 12,828              | -                 | -                    | 42,689                | -                                     | -                             | -                                | 55,516              |
| Meetings/Conferences              | 711                 | 860                 | -                   | -                 | -                    | 32,692                | -                                     | -                             | -                                | 34,263              |
| City/County Fees                  | -                   | -                   | -                   | -                 | -                    | -                     | -                                     | -                             | 27,355                           | 27,355              |
| <b>Total</b>                      | <b>\$ 2,876,189</b> | <b>\$ 1,537,757</b> | <b>\$ 279,531</b>   | <b>\$ 464,753</b> | <b>\$ 811,555</b>    | <b>\$ 434,752</b>     | <b>\$ 200,250</b>                     | <b>\$ 141,996</b>             | <b>\$ 27,355</b>                 | <b>\$ 6,774,138</b> |
| <b>Section Sub-Total</b>          |                     |                     | <b>\$ 5,969,785</b> |                   |                      |                       | <b>\$ 804,353</b>                     |                               |                                  | <b>\$ 6,774,138</b> |
| Percent of Total Expenses         |                     |                     | 88%                 |                   |                      |                       | 12%                                   |                               |                                  |                     |