

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

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2023  
(With comparative totals for 2022)**

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

**TABLE OF CONTENTS**

**Year Ended December 31, 2023**

	<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	6-15

**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" or the "BID") (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, 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.

### **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.

**Report on 2022 Financial Statements**

The financial statements of the Association as of December 31, 2022, were reviewed by us which report dated April 20, 2023, stated that based on our procedures, we were not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*GTL, LLP*

Certified Public Accountants  
Sherman Oaks, California  
May 23, 2024

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION**  
**DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**  
**Statement of Financial Position**  
**December 31, 2023**  
**(With Comparative Totals for 2022)**

	2023	2022
ASSETS	Reviewed	Reviewed
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 1,499,891	\$ 1,620,437
Assessments Receivable, net of allowance for uncollected assessments of \$175,714 and \$173,588 for 2023 and 2022, respectively (Note 2)	-	-
Accounts Receivable (Note 4)	48,439	71,333
Prepaid Expenses (Note 4)	117,404	120,762
Total Current Assets	1,665,734	1,812,532
Property and Equipment (Note 2):		
Field Equipment	299,761	521,663
Website	32,694	32,694
Leasehold Improvements	121,997	100,297
Computers	38,883	39,388
Furniture and Fixtures	32,245	19,132
	525,580	713,174
Less Accumulated Depreciation and Amortization	(357,840)	(480,032)
Net Property and Equipment	167,740	233,142
Operating Lease - Right of Use Assets, net (Note 8)	540,713	702,943
Total Assets	\$ 2,374,187	\$ 2,748,617
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 348,338	\$ 438,441
8th and San Pedro Median Project Funds	25,121	23,921
Total Current Liabilities	373,459	462,362
Operating Lease Liabilities, net (Note 8)	563,767	722,366
Commitments and Contingencies (Notes 8, 9, 12)	-	-
Total Liabilities	937,226	1,184,728
Net Assets Without Donor Restrictions (Note 5):		
Designated for 2024 Operating Budget	328,000	221,000
Designated for MTA Projects' Matching Funds (Santee Alley)	24,810	26,000
Designated for Capital Equipment Purchases in 2024	69,000	40,000
Designated for Tree Trimming in 2024	180,000	180,000
Designated for BID Renewal in 2025-2026	100,000	100,000
Designated for Capital Equip/Leasing and/or Operating Needs in 2025-2026	450,007	642,985
Designated for Prepaid Expenses in 2024	117,404	120,762
Investment in Existing Property and Equipment (net of accm depreciation)	167,740	233,142
Total Net Assets Without Donor Restrictions	1,436,961	1,563,889
Total Liabilities and Net Assets	\$ 2,374,187	\$ 2,748,617

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, 2023**  
**(With Comparative Totals for 2022)**

	2023	2022
	Reviewed	Reviewed
Changes in Net Assets Without Donor Restrictions:		
BID REVENUES (Note 2):		
Assessment Revenue:		
Business Improvement District - Assessments	\$ 5,490,395	\$ 5,325,934
Collection of Prior Years' Unpaid Assessments	79,863	111,800
Collection of Penalties and Interest	26,518	19,374
	5,596,776	5,457,108
General Benefit Revenue	129,330	125,942
Investment Income	125,435	31,900
Gain from Disposal of Capital Equipment	41,313	63,251
Miscellaneous Other Revenues	4,471	4,837
BID Revenues	5,897,325	5,683,038
OVERLAY REVENUES (Note 2):		
Santee Alley - Overlay Assessments (pass-through)	825,002	793,271
Santee Alley - General Benefit Revenue (pass-through)	19,433	18,284
Overlays Revenues Sub-Total	844,435	811,555
Total Revenues	6,741,760	6,494,593
EXPENSES:		
BID FUNCTIONAL EXPENSES (Notes 2, 13):		
Cleaning	2,951,547	2,876,189
Safety	1,685,247	1,537,757
Communication	351,843	279,531
Special Projects	270,164	464,753
Management	418,762	434,752
Provision for Uncollected Assessments	228,536	200,250
Depreciation and Amortization	90,049	141,996
City and County Admin Fees	28,105	27,355
BID Functional Expenses	6,024,253	5,962,583
OVERLAY EXPENSES (Note 2):		
Santee Alley Overlay (pass-through)	844,435	811,555
Overlay Expenses	844,435	811,555
Total Expenses	6,868,688	6,774,138
(Decrease) in Net Assets Without Donor Restrictions	(126,928)	(279,545)
NET ASSETS - Beginning of Year	1,563,889	1,843,434
NET ASSETS - End of Year	\$ 1,436,961	\$ 1,563,889

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, 2023  
(With Comparative Totals for 2022)**

	2023	2022
	Reviewed	Reviewed
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets Without Donor Restrictions	\$ (126,928)	\$ (279,545)
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation and Amortization	90,049	141,996
Gain on Disposal of Equipment	(41,313)	(63,251)
Non-cash lease expense (due to ASC842)	3,631	19,423
Changes in Current Assets and Liabilities:		
Accounts Receivable	22,894	68,900
Prepaid Expenses	3,358	(25,856)
Accounts Payable and Accrued Expenses	(90,103)	197,270
8th and San Pedro Median Project Funds	1,200	400
Net Cash and Cash Equivalents (Used-in) Provided by Operating Activities	(137,212)	59,338
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Purchases) of Equipment	(45,022)	(8,529)
Proceeds from Sale of Equipment	61,688	118,820
Net Cash and Cash Equivalents Provided by Investing Activities	16,666	110,291
Net (Decrease) Increase in Cash and Cash Equivalents	(120,546)	169,629
CASH AND CASH EQUIVALENTS, beginning of year	1,620,437	1,450,808
CASH AND CASH EQUIVALENTS, end of year	\$ 1,499,891	\$ 1,620,437

Supplemental Disclosure of Cash Flow Information:

The Association's total of \$45,022 capital equipment purchases at cost during 2023 consisted of Tenant Improvements at the Field Office \$21,700, Dispatch Console/Security Access and other Equipment for the Field Office \$12,309, four computers \$8,368, and final cost of installation of a keypad/card reader access system at the Administrative Office \$2,645. During 2023, the Association disposed of \$232,616 worth of capital equipment at original cost and received \$61,688 in cash proceeds. The capital equipment disposed of consisted of five cleaning trucks (\$60,000 cash proceeds with a \$41,313 book gain recognized), and one laptop (\$1,688 cash proceeds, with a \$1,322 book loss recognized). The following capital equipment was disposed of without cash proceeds: two computers, two Aerohive wi-fi routers, one pressure washer, and seven patrol bikes.

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

**Notes to Financial Statements  
Year Ended December 31, 2023**

**(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 7-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 (program or time) 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 with no effect on previously reported net assets.

**(c) 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.



**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION**  
**DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2023**

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

(c) Revenue Recognition (Continued)

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 2023 revenue was composed of \$825,002 billed overlay assessments and \$19,433 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, 2023 and 2022 totaled \$5,596,775 and \$5,457,108, 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, \$28,105 and \$27,355 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, the allowances for uncollected assessments receivable were \$175,714 and \$173,588, respectively, and composed of only outstanding private-parcel assessments. The \$175,714 balance was composed of the \$173,588 uncollected assessments at December 31, 2022, less \$79,863 collections received in 2023, plus \$228,536 total uncollected 2023-year assessments, less the following 2023 written-off assessments which were deemed as uncollectable: LAUSD \$82,187 (50% of total assessed), Caltrans \$59,612 (100% of total assessed) and private parcels \$4,748. These LAUSD, Caltrans and private parcels' write-offs occur every year.

(e) 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 2023 and 2022 the City of Los Angeles contributed non-assessment funds of \$129,330 and \$125,942 respectively.

(f) Other Revenues

For 2023 other revenues were: Investment Income \$125,435, Gain from Disposal of Capital Equipment \$41,313 (cash proceeds received in excess of the current book value), and Miscellaneous Other Revenues \$4,471. For 2022 other revenues were: Gain from Disposal of Capital Equipment \$63,251, Investment Income \$31,900, and Miscellaneous Other Revenues \$4,837.

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

**Notes to Financial Statements  
Year Ended December 31, 2023**

**(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 certificates of deposit.

**(i) 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.

**(j) Advertising and Promotion**

The Association expenses all costs of advertising and promotion as incurred. Such costs were \$89,686 and \$111,075 for years ended 2023 and 2022, 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 will 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, 2023**

**(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. The Association's money market funds at December 31, 2023 and 2022 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.

(o) 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 reviewed financial statements for the year ended December 31, 2022, from which the summarized information was derived.

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

At December 31, 2023 and 2022, the Association had cash and cash equivalents as follows:

<u>Cash and Cash Equivalents</u>	2023	2022
Certificates of Deposit (yield rates 3.3% - 3.5% at 12/31/2022)	\$ -	\$ 741,000
Money Market Account - Merrill Lynch (yield rate 5.37% at year-end)	1,412,029	819,282
Checking Account - City National Bank	84,362	56,655
Emergency Cash Fund	2,500	2,500
Petty Cash Fund	1,000	1,000
Total	\$ 1,499,891	\$ 1,620,437

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

**Notes to Financial Statements  
Year Ended December 31, 2023**

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

	2023	2022
Collected Assessments and Penalties Pending Remittal by City of LA	\$ 14,826	\$ 60,399
Santee Alley Receivable	30,309	3,239
Accrued Interest Receivable from Certificates of Deposit	-	6,073
Other Miscellaneous Receivables	3,304	1,622
Total Accounts Receivable	\$ 48,439	\$ 71,333
Prepaid Insurance	\$ 77,826	\$ 68,493
Prepaid Rent	14,622	13,217
Other Prepaid Expenses	9,056	23,152
Refundable Deposits	15,900	15,900
Total Prepaid Expenses	\$ 117,404	\$ 120,762

**(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 2024 Operating Budget - The \$80k collection in 2023 of prior years' unpaid assessments are allocated to fund a comprehensive Market Research Study of the District. The last such study was done in 2006. \$14,000 rollover 2023 unspent funds are allocated for the upkeep of the way-finding wrapped utility boxes put in place in 2023. \$234,000 is allocated to partially 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. Due to difficulty in obtaining permits for the mechanical security gates and a significant increase in the estimated cost, in 2023 the Santee Maple Alley Association ("SMAA") decided to not pursue this project anymore. In 2023, \$1,190 was spent on exploring the BID assuming the management of the Santee Alley Overlay instead of SMAA. As of December 31, 2023, the unspent balance of this reserve was \$24,810.

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

**Notes to Financial Statements  
Year Ended December 31, 2023**

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

- Designated for Future Capital Equipment Purchases in year 2024 - \$50,000 for Leasehold Improvements at the Field Office and \$19,000 for four computer systems.
- Designated for Tree Trimming - The \$180,000 reserve is to trim trees in year 2024. Trees are trimmed on an every 3rd-year cycle.
- Designated for BID Renewal - The \$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 2025 through 2026 - The \$450,007 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, two-way radio system, computers, etc., and/or for operating budget needs.
- Designated for Prepaid Expenses - This \$117,404 represents the value of prepayments made for Insurance, Rent and Other Expenses, detailed in note 4. The related expenses will be recognized in 2024. Similar prepayments of expenses are expected to be made in 2024.
- Investment in Existing Property and Equipment - This \$167,740 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, 2023 and 2022, approximately 61% and 58%, respectively, of the Association's total expenses (including the Santee Alley Overlay) were from three major vendors: Century Maintenance Group (cleaning services) (\$2,788,211 for 2023 and \$1,074,433 for 2022), Allied Universal Security Services (safety services) (\$1,325,174 for 2023 and \$1,217,894 for 2022) and StreetPlus (cleaning services) (\$68,475 for 2023 and \$1,631,645 for 2022). At December 31, 2023, there was \$284,449 owed to these 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, 2023**

**(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 the 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, 2023 are as follows:

Year ending Dec 31,	Admin Office	Field Office	Parking Lot	Admin Vehicle	Xerox Copier	Totals
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	\$ 174,869	\$ 270,599	\$ 113,003	\$ 8,637	\$ 10,255	577,363
					Less imputed interest	(13,596)
					Total lease liability	<u>\$ 563,767</u>

Rent payments for the two offices for the years ended December 31, 2023 and 2022 was \$138,948 and \$135,306, 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, 2023**

**(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 2023, the Association made employer matching contributions to the plan totaling \$24,629 and \$16,050, 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 2020 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 2019 and beyond.

**(11) SUBSEQUENT EVENTS**

The Association has evaluated events subsequent to December 31, 2023, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 23, 2024, 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, 2023**

**(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, 2023.

Cash and Cash Equivalents	\$ 1,499,891
Accounts Receivable	48,439
Less Funds Needed for:	
Accounts Payable and Accrued Expenses	(348,338)
8th and San Pedro Median Project Funds	(25,121)
Lease liability maturities - 2024	(170,025)
Designated for 2024 Operating Budget	(328,000)
Designated for MTA Projects' Matching Funds (Santee Alley)	(24,810)
Designated for Capital Equipment Purchases in 2024	(69,000)
Designated for Tree Trimming in 2024	(180,000)
Designated for Prepaid Expenses in 2024	<u>(117,404)</u>
Net Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 285,632</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, 2023. Accounts receivable will be collected early in 2024. 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, 2023**

**(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, 2023.

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	2,551,099	1,331,721	-	-	319,289	-	-	-	-	4,202,109
Wages/Benefits/Taxes	220,386	227,364	217,834	163,936	31,100	115,031	-	-	-	975,651
Santee Alley Overlay	-	-	-	-	494,046	-	-	-	-	494,046
Uncollected Assessments	-	-	-	-	-	-	228,536	-	-	228,536
Occupancy	65,829	65,829	30,429	-	-	55,157	-	-	-	217,243
Equipment and Supplies	87,191	33,255	-	-	-	-	-	-	-	120,446
Information Technology	21,652	21,652	14,017	-	-	61,905	-	-	-	119,225
Insurance Total	-	-	-	-	-	102,478	-	-	-	102,478
Economic Dev. & Advocacy	-	-	30,059	60,300	-	-	-	-	-	90,359
Depreciation and Amortization	-	-	-	-	-	-	-	90,049	-	90,049
Advertising and Promotion Total	-	-	44,948	44,738	-	-	-	-	-	89,686
Office Expenses	5,019	5,055	13,212	-	-	30,263	-	-	-	53,549
Meetings/Conferences	371	371	1,344	-	-	29,973	-	-	-	32,060
City/County Fees	-	-	-	-	-	-	-	-	28,105	28,105
Consultants Total	-	-	-	1,190	-	23,955	-	-	-	25,145
<b>Total</b>	<b>2,951,547</b>	<b>1,685,247</b>	<b>351,843</b>	<b>270,164</b>	<b>844,435</b>	<b>418,762</b>	<b>228,536</b>	<b>90,049</b>	<b>28,105</b>	<b>6,868,688</b>
<b>Section Sub-Total</b>			<b>6,103,236</b>				<b>765,452</b>			<b>6,868,688</b>
Percent of Total Expenses			89%				11%			100%