

**SUNSET & VINE  
BUSINESS IMPROVEMENT DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of

**CENTRAL HOLLYWOOD COALITION**

(Managing Entity for Sunset & Vine Business Improvement District)

Hollywood, CA 90028

We have reviewed the accompanying financial statements of Sunset & Vine Business Improvement District (a California nonprofit corporation) (the "District"), which comprise the statement of financial position as of December 31, 2017, 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.

### **Accountants' 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.

### **Accountants' 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.

**GTL, LLP**

Certified Public Accountants

March 22, 2018

**SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2017**

ASSETS

Current Assets:

Cash	\$	298,452
Assessments Receivable (Note 2f)		293,594
Allowance for Doubtful Accounts (Note 2f)		(273,494)
Other Assets (Note 2g)		89,754
		<u>408,306</u>

Contract Equipment, Net (Note 4)		<u>31,097</u>
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\$ 439,403

LIABILITIES AND UNRESTRICTED NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses	\$	114,815
Contract Equipment Payable (Note 5)		9,155
		<u>123,970</u>

Commitment (Note 6)		-
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Unrestricted Net Assets

BID (2012-2018) Funds		276,546
BID (2007-2011) Funds		35,472
Marketing Co-op Funds		3,415
		<u>315,433</u>

Unrestricted Net Assets		<u>315,433</u>
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\$ 439,403

**SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT**

**STATEMENTS OF ACTIVITIES AND CHANGE IN UNRESTRICTED NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

BID Revenues:	
Property Assessments	\$ 1,540,327
Penalties & Interest on Assessments	16,482
Grant	7,500
Interest Income	<u>86</u>
BID Revenues Sub-Total	1,564,395
Sunset & Dine (Marketing Co-Op) Revenues	<u>15,568</u>
Total Revenues	<u>1,579,963</u>
BID Expenses:	
Safety and Security Services	848,196
Maintenance, Streetscape and Beautification Services	400,397
Marketing	24,094
District Management, Policy and Administration	218,865
Contingency, City Fees and Delinquencies	<u>100,799</u>
BID Expenses Sub-Total	1,592,351
Sunset & Dine (Marketing Co-Op) Expenses	<u>15,662</u>
Total Expenses	<u>1,608,013</u>
Change in Unrestricted Net Assets	(28,050)
Unrestricted Net Assets, Beginning of Year	<u>343,483</u>
Unrestricted Net Assets, End of Year	<u><u>\$ 315,433</u></u>

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

**SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

Cash Flows from Operating Activities:	
Change in Unrestricted Net Assets	\$ (28,050)
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash (Used-in) Operating Activities:	
Depreciation	31,096
Change in Allowance for Doubtful Accounts	51,324
Changes in Current Assets and Liabilities	
Assessments Receivable	(120,378)
Accounts Payable and Accrued Expenses	<u>39,291</u>
Net Cash (Used-in) Operating Activities	<u>(26,717)</u>
Cash Flows from Investing Activities:	
(Purchases) of Equipment	<u>(16,500)</u>
Net Cash (used-in) investing activities	<u>(16,500)</u>
Cash Flows from Financing Activities:	
Payments on Contract Equipment Payable	<u>(17,811)</u>
Net Cash (Used-in) Financing Activities	<u>(17,811)</u>
Net Decrease in Cash	(61,028)
Cash and Cash Equivalents, Beginning of Year	<u>359,480</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 298,452</u></u>

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

**SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE (1) NATURE OF OPERATIONS**

During 2006, Sunset & Vine Business Improvement District (the "District") was organized under the laws of the State of California as a Business Improvement District. The District currently operates under an agreement with the City of Los Angeles that has a term of January 1, 2012 through December 31, 2018. The Primary purpose of the District is to manage programs, activities, and contracts with the aim of promoting community revitalization efforts, quality of life, streetscape improvements, economic development and business interests for the benefit of owners of property in the District. These activities include security programs to support police and property owner crime prevention efforts, maintenance services to increase the frequency of litter, debris, and graffiti removal, and advocacy to promote business interest in the District. The District generates most of its revenues from special assessments to property owners self imposed and collected by the County of Los Angeles, remitted to the City of Los Angeles and disbursed to the District periodically.

The Central Hollywood Coalition ("CHC"), a California nonprofit benefit corporation, is responsible for developing, implementing, directing, operating and administering the District programs as described in the Management District Plan. The District exists as an operating component of CHC, with all funds received and expended relating to the District's operations included in these financial statements.

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

**(a) Income Tax Status**

The District is managed by an organization which is exempt from taxes under Section 501(c)(6) of the Internal Revenue Code ("IRC") and is exempt from federal and state income taxes under Section 501(a) of the IRC and 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 District's federal income tax returns for tax years 2014 and beyond remain open 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 2013 and beyond.

**SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**(b) Financial Statement Presentation**

The financial statements of the District have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**(c) Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

**(d) Cash and Cash Equivalents**

The District considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. The District has no cash equivalents at December 31, 2017.

**(e) Concentrations of Credit Risk**

Financial instruments which potentially subject the District to a concentration of credit risk consist of cash and assessments receivable. The District places its cash with high credit quality institutions. Occasionally, the District's bank balances exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The District has not experienced and does not anticipate any losses relating to cash held in these accounts.

For the year ended December 31, 2017, approximately 53% and 22% of the District's purchases were from two major vendors, Andrews International (security services) and StreetPlus Company, LLC (cleaning services). At December 31, 2017, a total of \$72,727 and \$29,642 was due to these vendors, respectively and is included in accounts payable and accrued expenses in the Statement of Financial Position.

Concentrations of credit risk with respect to assessments receivable are limited since the District derives the majority of its revenues from special assessments billed by the County of Los Angeles on its annual property tax bills (see Note 3).

**SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**(f) Assessment Revenue and Assessments Receivable**

The District receives its support primarily from real estate special tax assessments (the "assessment") levied by the County of Los Angeles on properties located within the District in accordance with City Ordinance 171678. Parcels owned by government or public agencies are billed directly by the City of Los Angeles.

The assessments levied by the County are recorded by the District when earned. The County remits the assessment to the City of Los Angeles which disburses them to the District upon receipt. Private-parcel delinquent assessments are treated as unpaid taxes and, as such, collection is enforceable under Los Angeles County law. At December 31, 2017 the District had an overall assessment receivable balance of \$293,594. Due to the uncertainty of collection of the LAUSD unpaid delinquent assessments, management has reserved \$273,494 equal to 100% of the LAUSD receivable, resulting in net accounts receivable from private-parcels of \$20,100 at December 31, 2017. Any amounts collected in excess of the net receivable would be recognized upon collection.

**(g) Other Assets**

Other assets amount of \$89,754 at December 31, 2017, represent collected assessments pending remittance by the City of Los Angeles. This amount was remitted to the District in January 2018.

**NOTE (3) MAJOR REVENUE SOURCE**

For the year ended December 31, 2017, 99% of the District's revenue was billed and collected by the County of Los Angeles and the City of Los Angeles.

**NOTE (4) CONTRACT EQUIPMENT**

Contract equipment at December 31, 2017 consisted of the following:

Maintenance equipment	\$ 69,809
Accumulated depreciation	<u>(38,712)</u>
	<u>\$ 31,097</u>

Depreciation expense for the year ended December 31, 2017 was \$31,096.

**SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE (5) CONTRACT EQUIPMENT PAYABLE**

In September 2016 the CHC entered into a contract with its maintenance contractor (StreetPlus Company, LLC), whereby the contractor purchased maintenance equipment to be used by the contractor in providing maintenance services to the District. The CHC agreed to make monthly payments of \$8,750 to the contractor for the equipment purchased for a period of four (4) months starting September 2016 through December 2016, and \$803.23 for a period of 24 months starting January 2017 through December 2018, at which time the District would own the purchased equipment. The economic substance of this arrangement is that the District financed the acquisition of the maintenance equipment through the contract agreement, and accordingly it is recorded as the District's asset and liability. The amount representing interest of \$484 at December 31, 2017 was calculated using the present value of an annuity with monthly payments at an imputed interest rate of 5%.

The following is a schedule by year of future minimum payments required under the contract together with its present value as of December 31, 2017:

<u>Year ending December 31,</u>	<u>Total</u>
2018	<u>\$ 9,639</u>
Total	9,639
Less amount representing interest	(484)
	<u><u>\$ 9,155</u></u>

**NOTE (6) SUBSEQUENT EVENTS**

The District has evaluated events subsequent to December 31, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 22, 2018, 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.

**NOTE (7) COMMITMENTS**

In March 2007, the CHC entered into a service agreement with the Hollywood Property Owners Alliance (HPOA) to provide management services to the CHC. The agreement was last renewed in December 2017 through December 31, 2018. Monthly payments of \$14,980 are due on the first of each month.

**SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE (7) COMMITMENTS - CONT'D**

In May 2013, the District renewed its service agreement with Andrews International Inc. to provide security services to the District through April 30, 2018. Payments are due within 30 days of each weekly invoice. This service agreement may be terminated by the District upon 30 to 90 days notice. Management intends to go on a month-to-month service agreement after April 2018 through December 2018.

In September 2016, the District entered into a service agreement with StreetPlus Company, LLC to provide maintenance services to the District through December 31, 2018. Payments are due within 30 days of each monthly invoice. This service agreement may be terminated by the District upon 30 to 90 days notice.

**NOTE (8) RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2016, the Financial Accounting Standards Board (FASB) issued **ASU 2016-14, Presentation of Financial Statements of Non-for-Profit Entities**, which decreases the number of net assets classes from three to two, *net assets with donor restrictions* and *net assets without donor restrictions*.

The standard also:

- (a) Requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments;
- (b) Requires non-profits to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks.
- (c) Requires quantitative information that communicates the availability of the non-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year, to be presented on the face of the financial statement and/or in the notes;
- (d) Requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

The guidance will be effective for fiscal years beginning after December 15, 2017, with early application of the standard permitted.