SUNSET & VINE
BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

CONTENTS

GTL, 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 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, 2018, 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 29, 2019

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SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

Current Assets:		
Cash	$	262,970
Assessments Receivable (Note 2f)		367,781
Allowance for Doubtful Accounts (Note 2f)		(326,822)
Other Assets (Note 2g)		34,971
		338,900
Contract Equipment, Net (Note 4)		-
Total Assets	$	338,900

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable and Accrued Expenses	$	74,238
Without Donor Restrictions Net Assets		264,662
Total Liabilities and Net Assets	$	338,900

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

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

Changes in Net Assets Without Donor Restrictions:	
Property Assessments	$ 1,569,076
Penalties and Interest on Assessments	3,279
Interest Income	54
	1,572,409
Sunset & Dine (Marketing Co-Op) Revenues	22,000
Total Revenues Without Donor Restrictions	1,594,409
Functional Expenses:	
Safety and Security Services	859,336
Maintenance, Streetscape and Beautification Services	480,979
Marketing	49,864
District Management, Policy and Administration	123,899
Contingency, City Fees and Delinquencies	110,099
	1,624,177
Sunset & Dine (Marketing Co-Op) Expenses	21,003
Total Expenses	1,645,180
Decrease in Net Assets Without Donor Restrictions	(50,771)
Net Assets, at Beginning of Year	315,433
Net Assets, at End of Year	$ 264,662

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, 2018

Cash Flows from Operating Activities:	
Decrease in Net Assets Without Donor Restrictions	$ (50,771)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used-in) Operating Activities:	
Depreciation	31,096
Change in Allowance for Doubtful Accounts	53,328
Changes in Current Assets and Liabilities	
Assessments Receivable	(19,403)
Accounts Payable and Accrued Expenses	(40,577)
Net Cash (Used-in) Operating Activities	(26,327)
Cash Flows from Financing Activities:	
Payments on Contract Equipment Payable	(9,155)
Net Cash (Used-in) Financing Activities	(9,155)
Net Decrease in Cash	(35,482)
Cash, at Beginning of Year	298,452
Cash, at End of Year	$ 262,970

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, 2018

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 District was not renewed; see Note 8 - BID Renewal). 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 self imposed special assessments to property owners 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 2015 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 2014 and beyond.

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.

The District 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 asset, revenue, contributions, fundraising, gains, and losses, are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subjected to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subjected to donor - (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(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, 2018.

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

(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, 2018, approximately 47% and 22% of the District's purchases were from two major vendors, U.S. Security Associates, Inc. (security services) and StreetPlus Company, LLC (cleaning services). At December 31, 2018, a total of $42,911 and $16,795 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).

(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, 2018 the District had an overall assessment receivable balance of $367,781. Due to the uncertainty of collection of the LAUSD unpaid delinquent assessments, management has reserved $326,822 equal to 100% of the LAUSD receivable, resulting in net accounts receivable from private-parcels of $40,959 at December 31, 2018. Any amounts collected in excess of the net receivable would be recognized upon collection.

(g) Other Assets

Other assets amount of $34,971 at December 31, 2018, represent collected assessments pending remittance by the City of Los Angeles. This amount was remitted to the District in January 2019.

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE (3) MAJOR REVENUE SOURCE

For the year ended December 31, 2018, 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, 2018 consisted of the following:

		Useful Life
Maintenance equipment	$ 69,809	3 years
Accumulated depreciation	(69,809)	
	$ -	

Depreciation is provided using the straight-line method and depreciation expense for the year ended December 31, 2018 was $31,096.

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, 2018 was calculated using the present value of an annuity with monthly payments at an imputed interest rate of 5%.

As of December 31, 2018 all monthly payments related to this lease liability had been made.

NOTE (6) SUBSEQUENT EVENTS

The District has evaluated events subsequent to December 31, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 29, 2019, 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

On December 10, 2018, the CHC entered into an extended service agreement with the Hollywood Property Owners Alliance (HPOA) to continue to provide management services to the CHC through December 31, 2019, with monthly payments of $791.67 for a total annual cost of $9,500. Any renewal or extension of said agreement beyond December 31, 2019, shall require the mutual written consent or approval of both parties.

In May 2013, the District renewed its service agreement with Andrews International Inc. (owned by U.S. Security Associates, Inc.) to provide security services to the District through April 30, 2018. Payments were due within 30 days of each weekly invoice. This service agreement may be terminated by the District upon 30 to 90 days notice. Management intents to go on a month-to-month service agreement after April 2018 through December 2018. The contract ended December 31, 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 were due within 30 days of each monthly invoice. This service agreement may be terminated by the District upon 30 to 90 days notice. The contract was ended early on December 14, 2018.

NOTE (8) BID RENEWAL

As planned, the Sunset & Vine Business Improvement District was not renewed and ended December 31, 2018. Through City Ordinance No. 185642 dated June 26, 2018, the City Council of the City of Los Angeles renewed the Hollywood Entertainment Business Improvement District and incorporated what was known as the former Sunset & Vine BID into one expanded district for a period starting January 1, 2019 though December 31, 2028. On October 22, 2018, through contract No. C-132196, the City of Los Angeles entered into a new agreement with the Hollywood Property Owners Alliance acting as the non-profit corporation for the administration of the Hollywood Entertainment Business Improvement District from January 1, 2019 through December 31, 2028.

NOTE (8) BID RENEWAL - CONT'D

The name of the renewed and expanded Property-based Business Improvement District is the Hollywood Entertainment District Business Improvement District (the "New District"). The New District was re-established pursuant to Section 36600 et seq. of the California Streets and Highways Code, "The Property and Business Improvement District Law of 1994 as amended," hereinafter referred to as State Law.

Developed by the Hollywood Entertainment District Renewal Ad-Hoc Steering Committee, the Hollywood Entertainment District Business Improvement District Management Plan provides guidance over the improvements and conveyance of special benefits to assessed parcels located within the New District area. The New District will provide continued activities, including Clean, Safe, Beautification and Operations. Each of the programs was designed to meet the goals of the New District; to improve the safety of each individual assessed parcel within the New District, to increase building occupancy and lease rates, to encourage new business development; and attract ancillary businesses and services for assessed parcels within the New District.

The boundary of the New District was created to include the 2009-2018 Hollywood Entertainment District and the expiring Sunset and Vine Business Improvement District area of Hollywood. The boundary of the New District incorporates two main east-west corridors in Hollywood, Hollywood Boulevard and Sunset Boulevard. Commercial parcels up to a block north and south of both streets are included from Hollywood's western border (La Brea) and Sunset's western border (Cassil Place) to the 101 Freeway on the East. Significant north-south arteries are included, such as Highland (from Franklin to Selma); Cahuenga (from Yucca to De Longpre); Vine (from Yucca to Santa Monica Blvd.); and Gower (from Hollywood to Fountain).

In order to match assessment rates to benefits, four benefit zones were created within the New District. Each zone receives a different level of services and a different level of benefit. Each zone pays an assessment rate that reflects 100% of the special benefit received. In addition to the four benefit zones, and in order to match assessment rates to special benefits received, there is an Alley Overlay and a Tourism Overlay.

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE (9) THE TABLE BELOW PRESENTS EXPENSES BY BOTH NATURE AND FUNCTION FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Activities			Supporting Activities		
Natural Category	Safety and Security Services	Maintenance, Streetscape and Beautification Services	Marketing	District Management, Policy and Administration	Contingency, City Fees and Delinquencies	Total
Contracted Services	$ 829,773	$ 387,493	$ -	$ -	$ 25,283	$ 1,242,549
Management Contract	21,571	37,750	35,952	84,487	-	179,760
Uncollected Assessments	-	-	-	-	53,329	53,329
Depreciation	-	31,581	-	-	-	31,581
City/County Fees	-	-	-	-	31,487	31,487
Beautification	-	24,155	-	-	-	24,155
Marketing	-	-	13,912	-	-	13,912
Accounting	-	-	-	11,620	-	11,620
Insurance	-	-	-	10,630	-	10,630
Legal	-	-	-	8,775	-	8,775
Consultants	-	-	-	8,119	-	8,119
Information Technology	7,992	-	-	-	-	7,992
Office Expenses	-	-	-	268	-	268
	$ 859,336	$ 480,979	$ 49,864	$ 123,899	$ 110,099	$ 1,624,177

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 management contract costs, which are allocated on the basis of estimates of time and effort to the benefiting programs or supporting functions.

NOTE (10) SIGNIFICANT ACCOUNTING PRONOUNCEMENTS

I. In February 2016, the FASB issued **ASU 2016-02, Leases**, which requires lessees to recognize "right of use" assets and liabilities for all leases with terms of more than 12 months. The ASU requires additional quantitative and qualitative financial statement footnote disclosures about the leases, significant judgments made in accounting for those leases and amounts recognized in the financial statements about those leases. The guidance will be effective for fiscal years ending after December 15, 2019, with early adoption permitted.

II. In May 2014, the Financial Accounting Standards Board (FASB) issued **Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers"**, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance when it becomes effective. The new standard is effective for fiscal years beginning after December 15, 2018. Early application is not permitted. The standard permits the retrospective or cumulative effect transition method.

II. In preparation for the new revenue recognition standard the FASB Not-for Profit Advisory Council (NAC) at its March 2016, September 2016 and December 2016 meetings extensively discussed how this will affect not-for-profits accounting for grants and contracts and recognized the present diversity in practice; the two main issues were: (1) distinguishing a contribution (nonreciprocal) transaction from an exchange transaction (contract with a customer), and (2) distinguishing between a condition and a restriction. The difference is important because contributions must follow Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition, while exchanges must follow the revenue standard, which was codified as Topic 606, Revenue From Contracts With Customers.