

**GATEWAY TO L.A., INC.**  
(A Not-For-Profit Organization)

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

**RICHARD MOON & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

# GATEWAY TO L.A., INC.

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**Richard Moon & Associates**

An Accountancy Corporation

Certified Public Accountant • Financial Planners

**Independent Accountant's Review Report**

Board of Directors  
Gateway to L.A., Inc.  
Los Angeles, California

I have reviewed the accompanying financial statements of Gateway to L.A., Inc. (a not-for-profit organization) which comprise of the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows, for the years then ended and the related notes to the 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, I 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 statement 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**

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my report.

**Accountant's Conclusion**

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

*Richard Moon & Associates, CPAs*

April 6, 2017

**GATEWAY TO L.A., INC.**  
(A Not-For-Profit Organization)  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**  
(See Accountants' Review Report and Accompanying Notes)

**Assets**

	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 17,867	\$ 50,969
Accounts receivable	69,854	94,611
Prepaid expenses	6,370	8,685
Total current assets	94,091	154,264
BID renewal costs (net)	47,954	53,282
Leasehold Improvements (net)	18,719	-
Deposits	5,437	-
Total assets	\$ 166,200	\$ 207,547

**Liabilities and Net Assets**

Liabilities		
Accounts payable	\$ 22,180	\$ 47,051
Payroll Liabilities	-	-
Total current liabilities	22,180	47,051
Unrestricted net assets	144,020	160,497
Total Net assets	144,020	160,497
Total liabilities and net assets	\$ 166,200	\$ 207,547

**GATEWAY TO L.A., INC.**  
(A Not-For-Profit Organization)  
**STATEMENTS OF ACTIVITIES AND NET ASSETS**  
For The Years Ended  
**December 31, 2016 and 2015**  
(See Accountants' Review Report and Accompanying Notes)

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
Revenues				
Member assessments	\$ 892,674	79.5	\$ 896,256	70.9
Ocean Express Operations	194,312	17.3	310,900	24.6
Other income	35,522	3.2	56,548	4.5
	<u>1,122,508</u>	<u>100.0</u>	<u>1,263,704</u>	<u>100.0</u>
Direct program services	728,821	64.9	786,916	62.3
Office & Insurance	107,094	9.5	110,435	8.7
Administrative Costs	130,454	11.6	148,322	11.7
Consulting Services	58,562	5.2	76,862	6.1
Marketing & Promotion	115,862	10.3	178,691	14.1
	<u>1,140,795</u>	<u>101.6</u>	<u>1,301,226</u>	<u>103.0</u>
Change in net assets from operations	(18,287)	(1.6)	(37,522)	(3.0)
Interest income	1,809	0.2	1,529	0.1
Board of Directors designated funds	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(4.3)</u>
Change in net assets	(16,477)	(1.5)	(85,993)	<u>(4.6)</u>
Net assets, beginning of year	160,497		196,490	
Board of Directors designated funds	-		50,000	
Net assets, end of year	<u>\$ 144,020</u>		<u>\$ 160,497</u>	

**GATEWAY TO L.A., INC.**  
(A Not-For-Profit Organization)  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Program Services**  
For The Years Ended December 31, 2016 and 2015  
(See Accountants' Review Report and Accompanying Notes)

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
<b>Direct Program Services</b>				
Ambassador Program	\$ 104,002	9.3	\$ 154,057	12.2
Ambassador Rentals	17,591	1.6	18,028	1.4
Operations Wages & Benefits	199,370	17.8	184,169	14.6
Operations Payroll Taxes	24,751	2.2	24,898	2.0
Keep it Clean Program	62,697	5.6	65,918	5.2
Recycling Program	2,000	0.2	5,594	0.4
GW Monument	675	0.1	2,085	0.2
Homeless Outreach	-	-	2,500	0.2
Ocean Express	317,735	28.3	329,667	26.1
	<u>\$ 728,821</u>	<u>64.9</u>	<u>\$ 786,916</u>	<u>62.3</u>

**GATEWAY TO L.A., INC.**  
(A Not-For-Profit Organization)  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Supporting Services**  
For The Years Ended December 31, 2016 and 2015  
(See Accountants' Review Report and Accompanying Notes)

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
<b>Office &amp; Insurance</b>				
Amortization	\$ 985	2.8	\$ -	-
Administrative assistance	1,899	0.2	1,202	0.1
Dues & subscriptions	4,660	0.4	4,575	0.4
Hospitality	11,092	31.2	8,590	15.2
Insurance	28,367	79.9	35,887	63.5
Miscellaneous	12,377	34.8	13,411	23.7
Office equipment	1,513	4.3	889	-
Office supplies	4,548	12.8	2,867	5.1
Payroll services	2,479	7.0	2,761	4.9
Postage / shipping	204	-	272	-
Office Lease	32,085	90.3	33,273	58.8
Telephone	6,885	19.4	6,708	11.9
	<u>\$ 107,094</u>	<u>283.0</u>	<u>\$ 110,435</u>	<u>183.5</u>
 <b>Administrative Costs</b>				
PBID Executive Director	<u>\$ 130,454</u>	<u>367.3</u>	<u>\$ 148,322</u>	<u>262.3</u>

**GATEWAY TO L.A., INC.**  
(A Not-For-Profit Organization)  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Supporting Services**  
For The Years Ended December 31, 2016 and 2015  
(See Accountants' Review Report and Accompanying Notes)

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
<b>Consulting Services</b>				
Governmental affairs	4,120	0.4	22,601	1.8
Legal Services	4,280	0.4	2,000	0.2
Transit consultant	-	-	-	-
Accounting / CPA	9,946	0.9	10,783	0.9
Economic Development	40,216	3.6	41,478	3.3
	<u>\$ 58,562</u>	<u>5.2</u>	<u>\$ 76,862</u>	<u>6.1</u>
<b>Marketing &amp; Promotion</b>				
Advertising	\$ 18,069	1.6	\$ 21,176	1.7
Brochures & newsletters	27,376	2.4	14,534	1.2
Events	52,144	4.6	55,510	4.4
Graphics design	785	0.1	5,352	0.4
Mobile Application	200	0.0	66,500	5.3
Community outreach	14,868	1.3	10,795	0.9
Website	2,420	0.2	4,824	0.4
	<u>\$ 115,862</u>	<u>10.3</u>	<u>\$ 178,691</u>	<u>14.1</u>



**GATEWAY TO L.A., INC.**  
(A Not-For-Profit Organization)  
**STATEMENTS OF CASH FLOWS**

**For The Years Ended December 31, 2016 and 2015**

(See Accountants' Review Report and Accompanying Notes)

	<u>2016</u>	<u>2015</u>
Increase (decrease) in net assets	\$ (16,477)	\$ (85,993)
Amortization expense	6,313	-
Cash flows from operating activities:		
(Increase) decrease in accounts receivable	24,759	15,836
(Increase) decrease in prepaid expenses	2,315	(935)
Increase (decrease) in accounts payable	(24,871)	(473)
(Increase) decrease in deposits	(5,437)	-
Increase (decrease) in capital reserve	-	50,000
Net cash provided by Operating Activities	<u>(13,398)</u>	<u>(21,565)</u>
Cash flows from investing activities:		
(Increase) decrease in investing activities	<u>(19,704)</u>	<u>61,000</u>
Net increase (decrease) in cash	(33,102)	39,435
Cash and cash equivalents at beginning of year	<u>50,969</u>	<u>11,534</u>
Cash and cash equivalents at end of year	<u>\$ 17,867</u>	<u>\$ 50,969</u>

**GATEWAY TO L.A., INC.**  
(A Not-For-Profit Organization)  
**Notes To Financial Statements**  
**December 31, 2016 and 2015**  
(See Accountants' Review Report)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Activities**

Gateway To L.A., Inc. (GTLA) was organized as a nonprofit mutual benefit corporation in 1998 with its primary purpose to actively promote the economics and aesthetics of the Century Boulevard Corridor properties.

The organization consists of seven classes of membership. The majority of the members own real property within the Century Boulevard corridor adjacent to Los Angeles International Airport.

**Property and Business Improvement District**

In August 1997, the City of Los Angeles established a Property and Business Improvement District (PBID) under the laws of the state of California and entered into an agreement with GTLA. The original term of the agreement was January 1, 1998 through December 31, 2000, and was extended for five years through December 31, 2005. A second extension was granted for ten year period through December 31, 2015 and effective July 29, 2015; an additional extension was granted for another ten year period through December 31, 2025. Under the agreement, GTLA is responsible for developing, implementing, directing and operating the PBID programs in accordance with the Management District Service Plan issued in May 2000, updated in August 2005 and March 2015 pursuant to Section 36622 California Streets and Highways Code and the City of Los Angeles Ordinance No. 177211.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized in the accounting period in which the liability is incurred.

**Financial Statement Presentation**

GTLA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted assets.

**GATEWAY TO L.A., INC.**  
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**Notes To Financial Statements**  
**December 31, 2016 and 2015**  
(See Accountants' Review Report)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue**

The largest source of revenue for GTLA is the annual assessment of its members.

**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 those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, GTLA considers all highly liquid investments with an original maturity of three months or less to be cash.

**Accounts Receivable**

Accounts receivable represent amounts due from the County of Los Angeles for BID assessments and Ocean Express tram service from hotels in the local area. Management performs ongoing credit evaluations and has determined the outstanding balances are fully collectible at December 31, 2016 and 2015.

**Reclassification**

Certain amounts from the prior year have been reclassified to conform to current year presentation.

**NOTE 2 INCOME TAXES**

GTLA is exempt from federal income taxes under Section 501(c) (6) of the Internal Revenue Code. It is also exempt from state franchise taxes.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

GTLA maintains its cash balance in financial institutions located in Los Angeles, California. The Federal Deposit Insurance Corporation insures balances up to \$250,000. As of December 31, 2016 and 2015, GTLA has no significant concentrations of credit risk.

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(See Accountants' Review Report)

**NOTE 4 RELATED PARTY TRANSACTIONS**

The corporate offices of GTLA were located in a building owned by one of its members. The office space was donated at no cost to GTLA by the owners of the building. The fair market value of the donated office space was \$26,928 for 2015 and was included as contributed revenue and deducted as rent expense with no net effect on results of operations.

**NOTE 5 RISK MANAGEMENT**

GTLA purchases commercial insurance as its method of defraying risk of losses from natural causes, general liabilities and theft. The organization assumes any liability for any deductible and claims in excess of coverage limitations.

**NOTE 6 COMMITMENT AND CONTINGENCIES**

A major part of GTLA's operations is a program of Goodwill Ambassadors. The program is operated under a monthly contract. The contract commenced on July 1, 2001 and has operated continuously since that date.

In addition, GTLA has agreements with various consulting, public relations and marketing firms to provide services on a month-to-month basis. Either party can terminate these agreements with "30 day" notice.

**NOTE 7 OPERATING LEASES**

Effective July 1, 2016 GTLA entered into office space lease for a period of ten years at a starting monthly base rent of \$4,167. The lease is subject to annual three percent (3%) rate increase in addition to tax and operating expense adjustments.

Future minimum payments under the operating lease for the years ended December 31 are as follows.

2017	\$50,750
2018	\$52,273
2019	\$53,841
2020	\$55,456
2021	\$57,120
Thereafter	\$278,754

**GATEWAY TO L.A., INC.**  
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**Notes To Financial Statements**  
December 31, 2016 and 2015  
(See Accountants' Review Report)

**NOTE 8 BID RENEWAL COSTS**

Gateway to L.A. incurred costs for the renewal of the agreement with the City of Los Angeles. The costs are to be amortized ratable over the length of the ten year period of the agreement, beginning in 2016.

**NOTE 9 MOBILE APPLICATION**

Gateway to L.A. has undertaken to develop and mobile application for cell phones that would be available to be down loaded for no costs to the user. The development process has been put on hold for the immediate future.

**NOTE 10 OTHER INCOME**

Other income is comprised of the following major categories:

	<u>2016</u>	<u>2015</u>
Holiday Luncheon Revenues	\$18,100	\$22,120
Individual Memberships	1,500	2,500
Rent Income Adjustment	-	26,928
L. A. Fire Dept. Fund Raiser	10,438	-
City of Los Angeles	5,209	-
Miscellaneous	275	5,000
	<u>\$35,522</u>	<u>\$56,548</u>
	=====	=====

**NOTE 11 BOARD DESIGNATED NET ASSETS**

In accordance with board of director's approval, GTLA set aside \$50,000 in 2015 for capital expenditures and special projects. Unused funds did revert to undesignated funds. Effective with the new ten year extension with the City of Los Angeles, GTLA can no longer set aside funds for capital projects.

**NOTE 12 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 6, 2017, the date the financial statements were available to be issued.