

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

RICHARD MOON & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

GATEWAY TO L.A., INC.

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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, 2019 and 2018, 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, CPA's

May 12, 2020

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018
(See Accountants' Review Report and Accompanying Notes)

Assets

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 67,792	\$ 30,653
Accounts receivable	19,786	27,538
Prepaid expenses	5,975	15,292
Total current assets	93,554	73,483
BID renewal costs (net)	31,970	37,298
Leasehold Improvements (net)	12,808	14,778
Deposits	5,437	5,437
Total assets	\$ 143,768	\$ 130,996

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 29,163	\$ 23,616
Payroll Liabilities	-	-
Total current liabilities	29,163	23,616
Unrestricted net assets	114,605	107,380
Total Net assets	114,605	107,380
Total liabilities and net assets	\$ 143,768	\$ 130,996

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF ACTIVITIES AND NET ASSETS
For The Years Ended
December 31, 2019 and 2018

(See Accountants' Review Report and Accompanying Notes)

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Revenues				
Member assessments	\$ 1,008,460	95.6	\$ 982,582	94.1
Ocean Express Operations	-	-	-	-
Other income	46,783	4.4	61,364	5.9
	<u>1,055,243</u>	<u>100.0</u>	<u>1,043,946</u>	<u>100.0</u>
Direct program services	540,153	51.2	505,896	48.5
Office & Insurance	165,309	15.7	144,266	13.8
Administrative Costs	158,087	15.0	155,744	14.9
Consulting Services	79,093	7.5	137,001	13.1
Marketing & Promotion	108,769	10.3	128,423	12.3
	<u>1,051,411</u>	<u>99.6</u>	<u>1,071,330</u>	<u>102.6</u>
Change in net assets from operations	3,832	0.4	(27,384)	(2.6)
Interest income	3,394	0.3	1,475	0.1
			-	-
Change in net assets	<u>7,225</u>	<u>0.8</u>	<u>(25,909)</u>	<u>(2.4)</u>
Net assets, beginning of year	107,380		133,289	
Net assets, end of year	<u>\$ 114,605</u>		<u>\$ 107,380</u>	

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF FUNCTIONAL EXPENSES
Program Services
For The Years Ended December 31, 2019 and 2018
(See Accountants' Review Report and Accompanying Notes)

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Direct Program Services				
Ambassador Program	\$ 117,711	11.2	\$ 125,548	12.0
Ambassador Rentals	22,464	2.1	32,432	3.1
Operations Wages & Benefits	272,778	25.8	226,629	21.7
Operations Payroll Taxes	29,949	2.8	26,716	2.6
Keep it Clean Program	95,132	9.0	86,233	8.3
Recycling Program	2,118	0.2	4,445	0.4
Ocean Express	-	-	3,892	0.4
	<u>\$ 540,153</u>	<u>51.2</u>	<u>\$ 505,895</u>	<u>48.5</u>

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF FUNCTIONAL EXPENSES
Supporting Services
December 31, 2019 and 2018
(See Accountants' Review Report and Accompanying Notes)

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Office & Insurance				
Amortization	\$ 1,970	0.2	\$ 1,970	0.2
Administrative assistance	165	0.0	300	0.0
Dues & subscriptions	5,075	0.5	2,720	0.3
Hospitality	9,032	0.9	10,021	1.0
Insurance	64,850	6.1	33,840	3.2
Miscellaneous	2,743	0.3	4,499	0.4
Office equipment	2,968	0.3	6,837	0.7
Office supplies	1,531	0.1	4,769	0.5
Payroll services	3,603	0.3	3,323	0.3
Postage / shipping	142	0.0	298	0.0
Office Lease	66,207	6.3	69,269	6.6
Telephone	7,023	0.7	6,419	0.6
	<u>\$ 165,309</u>	<u>15.7</u>	<u>\$ 144,265</u>	<u>13.8</u>
 Administrative Costs				
PBID Executive Director	<u>\$ 158,087</u>	<u>15.0</u>	<u>\$ 155,744</u>	<u>14.9</u>

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF FUNCTIONAL EXPENSES
Supporting Services
For The Years Ended December 31, 2019 and 2018
(See Accountants' Review Report and Accompanying Notes)

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Consulting Services				
Governmental affairs	12,280	1.2	12,075	1.2
Legal Services	13,335	1.3	5,403	0.5
Transit consultant	-	-	-	-
Accounting / CPA	15,375	1.5	8,700	0.8
Economic Development	38,103	3.6	10,823	1.0
	<u>\$ 79,093</u>	<u>7.5</u>	<u>\$ 37,001</u>	<u>3.5</u>
Marketing & Promotion				
Advertising	\$ 3,434	0.3	\$ 15,821	1.5
Brochures & newsletters	14,745	1.4	22,154	2.1
Events	74,383	7.0	68,827	6.6
Graphics design	2,218	0.2	-	-
Community outreach	7,269	0.7	13,921	1.3
Website	6,720	0.6	7,701	0.7
	<u>\$ 108,769</u>	<u>10.3</u>	<u>\$ 128,423</u>	<u>12.3</u>

GATEWAY TO L.A., INC.

(A Not-For-Profit Organization)

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2019 and 2018

(See Accountants' Review Report and Accompanying Notes)

	<u>2019</u>	<u>2018</u>
Increase (decrease) in net assets	\$ 7,225	\$ (25,909)
Amortization expense	7,298	7,298
Cash flows from operating activities:		
(Increase) decrease in accounts receivable	7,752	(21,316)
(Increase) decrease in prepaid expenses	9,317	(6,713)
Increase (decrease) in accounts payable	5,547	11,798
(Increase) decrease in deposits	-	-
Increase (decrease) in capital reserve	-	-
Net cash provided by Operating Activities	<u>37,139</u>	<u>(34,842)</u>
Cash flows from investing activities:		
(Increase) decrease in investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	37,139	(34,842)
Cash and cash equivalents at beginning of year	<u>30,653</u>	<u>65,495</u>
Cash and cash equivalents at end of year	<u>\$ 67,792</u>	<u>\$ 30,653</u>

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
Notes To Financial Statements
December 31, 2019 and 2018
(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.
(A Not-For-Profit Organization)
Notes To Financial Statements
December 31, 2019 and 2018
(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. Management performs ongoing credit evaluations and has determined the outstanding balances are fully collectible at December 31, 2019 and 2018.

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, 2019 and 2018, GTLA has no significant concentrations of credit risk.

GATEWAY TO L.A., INC.
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Notes To Financial Statements
December 31, 2019 and 2018
(See Accountants' Review Report)

NOTE 4 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 5 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 6 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.

2019	\$55,456
2020	\$57,120
2021	\$58,839
2022	\$60,604
2023	\$62,422
Thereafter	\$96,889

NOTE 7 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 ratably over the length of the ten year period of the agreement, beginning in 2016.

GATEWAY TO L.A., INC.

(A Not-For-Profit Organization)

Notes To Financial Statements

December 31, 2019 and 2018

(See Accountants' Review Report)

NOTE 9 OTHER INCOME

Other income is comprised of the following major categories:

	<u>2019</u>	<u>2018</u>
Holiday Luncheon Fund Raiser	\$30,750	\$23,300
Individual Memberships	1,500	1,500
Kingpin Challenge	1,500	4,000
Progressive Dinner: YMCA	875	6,875
City of Los Angeles	5,863	5,526
Urban Land Institute	-	20,000
Miscellaneous	6,295	163
	<u>\$46,783</u>	<u>\$61,364</u>
	=====	=====

NOTE 10 BOARD DESIGNATED NET ASSETS

Effective with the new ten year extension with the City of Los Angeles, GTLA can no longer set aside funds for capital projects.

NOTE 11 SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 12, 2020 the date the financial statements were available to be issued.

Subsequent to year-end 2019, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from federal, state and local authorities requiring forced closures of various businesses and other facilities. These forced closures could negatively impact the organizations ongoing operations. While the closures and limitations on movement, domestically and internationally, are expected to be temporary, the duration and related financial impact cannot be estimated at this time. The impact could have a material adverse effect on the organization's financial position, results of operations and cash flows.