

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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, 2018 and 2017, 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

March 31, 2019

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017
(See Accountants' Review Report and Accompanying Notes)

Assets

	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 30,653	\$ 65,495
Accounts receivable	27,538	6,222
Prepaid expenses	15,292	8,579
Total current assets	73,483	80,296
BID renewal costs (net)	37,298	42,626
Leasehold Improvements (net)	14,778	16,748
Deposits	5,437	5,437
Total assets	\$ 130,996	\$ 145,107

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 23,616	\$ 11,818
Payroll Liabilities	-	-
Total current liabilities	23,616	11,818
Unrestricted net assets	107,380	133,289
Total Net assets	107,380	133,289
Total liabilities and net assets	\$ 130,996	\$ 145,107

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF ACTIVITIES AND NET ASSETS
For The Years Ended
December 31, 2018 and 2017

(See Accountants' Review Report and Accompanying Notes)

	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Revenues				
Member assessments	\$ 982,582	94.1	\$ 939,932	92.3
Ocean Express Operations	-	-	67,910	6.7
Other income	61,364	5.9	10,865	1.1
	<u>1,043,947</u>	<u>100.0</u>	<u>1,018,707</u>	<u>100.0</u>
Direct program services	505,896	48.5	613,128	60.2
Office & Insurance	144,266	13.8	131,306	12.9
Administrative Costs	155,744	14.9	151,916	14.9
Consulting Services	137,001	13.1	58,839	5.8
Marketing & Promotion	128,423	12.3	74,863	7.3
	<u>1,071,330</u>	<u>102.6</u>	<u>1,030,052</u>	<u>101.1</u>
Change in net assets from operations	(27,384)	(2.6)	(11,345)	(1.1)
Interest income	1,475	0.1	614	0.1
	<u>-</u>		<u>-</u>	
Change in net assets	<u>(25,909)</u>	<u>(2.4)</u>	<u>(10,731)</u>	<u>(1.0)</u>
Net assets, beginning of year	133,289		144,020	
Net assets, end of year	<u>\$ 107,380</u>		<u>\$ 133,289</u>	

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF FUNCTIONAL EXPENSES
Program Services
For The Years Ended December 31, 2017 and 2016

(See Accountants' Review Report and Accompanying Notes)

	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Direct Program Services				
Ambassador Program	\$ 125,548	12.0	\$ 78,099	7.7
Ambassador Rentals	32,432	3.1	12,453	1.2
Operations Wages & Benefits	226,629	21.7	226,508	22.2
Operations Payroll Taxes	26,716	2.6	27,540	2.7
Keep it Clean Program	86,233	8.3	76,637	7.5
Recycling Program	4,445	0.4	5,363	0.5
GW Monument	-	-	-	-
Homeless Outreach	-	-	-	-
Ocean Express	3,892	0.4	186,530	18.3
	<u>\$ 505,896</u>	<u>48.5</u>	<u>\$ 613,128</u>	<u>60.2</u>

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF FUNCTIONAL EXPENSES
Supporting Services
December 31, 2018 and 2017
(See Accountants' Review Report and Accompanying Notes)

	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Office & Insurance				
Amortization	\$ 1,970	0.2	\$ 1,970	0.2
Administrative assistance	300	0.0	810	0.1
Dues & subscriptions	2,720	0.3	3,935	0.4
Hospitality	10,021	1.0	7,668	0.8
Insurance	33,840	3.2	34,857	3.4
Miscellaneous	4,499	0.4	6,821	0.7
Office equipment	6,837	0.7	1,960	0.2
Office supplies	4,769	0.5	2,664	0.3
Payroll services	3,323	0.3	3,051	0.3
Postage / shipping	298	0.0	698	0.1
Office Lease	69,269	6.6	59,063	5.8
Telephone	6,419	0.6	7,808	0.8
	<u>\$ 144,266</u>	<u>13.8</u>	<u>\$ 131,306</u>	<u>12.9</u>
 Administrative Costs				
PBID Executive Director	<u>\$ 155,744</u>	<u>14.9</u>	<u>\$ 151,916</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, 2017 and 2016

(See Accountants' Review Report and Accompanying Notes)

	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Consulting Services				
Governmental affairs	12,075	1.2	11,000	1.1
Legal Services	5,403	0.5	13,394	1.3
Transit consultant	-	-	-	-
Accounting / CPA	8,700	0.8	10,347	1.0
Economic Development	110,823	10.6	24,098	2.4
	<u>\$ 137,001</u>	<u>13.1</u>	<u>\$ 58,839</u>	<u>5.8</u>
Marketing & Promotion				
Advertising	\$ 15,821	1.5	\$ 14,034	1.4
Brochures & newsletters	22,154	2.1	16,537	1.6
Events	68,827	6.6	19,782	1.9
Graphics design	-	-	140	0.0
Mobile Application	-	-	-	-
Community outreach	13,921	1.3	11,752	1.2
Website	7,701	0.7	12,617	1.2
	<u>\$ 128,423</u>	<u>12.3</u>	<u>\$ 74,863</u>	<u>7.3</u>

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2017 and 2016
(See Accountants' Review Report and Accompanying Notes)

	<u>2018</u>	<u>2017</u>
Increase (decrease) in net assets	\$ (25,909)	\$ (10,731)
Amortization expense	7,298	7,298
Cash flows from operating activities:		
(Increase) decrease in accounts receivable	(21,316)	63,631
(Increase) decrease in prepaid expenses	(6,713)	(2,209)
Increase (decrease) in accounts payable	11,798	(10,362)
(Increase) decrease in deposits	-	-
Increase (decrease) in capital reserve	-	-
Net cash provided by Operating Activities	<u>(34,842)</u>	<u>47,628</u>
Cash flows from investing activities:		
(Increase) decrease in investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(34,842)	47,628
Cash and cash equivalents at beginning of year	<u>65,495</u>	<u>17,867</u>
Cash and cash equivalents at end of year	<u>\$ 30,653</u>	<u>\$ 65,495</u>

GATEWAY TO L.A., INC.
(A Not-For-Profit Organization)
Notes To Financial Statements
December 31, 2018 and 2017
(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, 2018 and 2017
(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, 2018 and 2017.

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, 2018 and 2017, GTLA has no significant concentrations of credit risk.

GATEWAY TO L.A., INC.
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Notes To Financial Statements
December 31, 2018 and 2017
(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.

2018	\$52,273
2019	\$53,841
2020	\$55,456
2021	\$57,120
2022	\$58,839
Thereafter	\$219,915

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, 2018 and 2017

(See Accountants' Review Report)

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. All the expenditures have been expensed as incurred.

NOTE 10 OTHER INCOME

Other income is comprised of the following major categories:

	<u>2018</u>	<u>2017</u>
Holiday Luncheon Fund Raiser	\$23,300	\$ -
Individual Memberships	1,500	1,000
Kingpin Challenge	4,000	4,500
Progressive Dinner: YMCA	6,875	-
City of Los Angeles	5,526	5,365
Urban Land Institute	20,000	-
Miscellaneous	163	-
	<u>\$61,364</u>	<u>\$10,865</u>
	=====	=====

NOTE 11 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 March 31, 2019 the date the financial statements were available to be issued.