LA-MÁS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
LA-MÁS, INC.
Los Angeles, California

We have audited the accompanying financial statements of LA-MÁS, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LA-MÁS, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

GTL LLP

Sherman Oaks, California
March 22, 2019

LA-MÁS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	183,612
Accounts receivable, no allowance necessary		143,000
Total current assets		326,612
PROPERTY AND EQUIPMENT, net (Note 3)		1,390
Security deposit		1,300
Total non-current assets		2,690
Total Assets	$	329,302

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	$	7,906
Accrued vacation		3,890
Deferred revenue		32,141
Total liabilities		43,937
NET ASSETS:		
Without donor restrictions:		
Undesignated		285,365
Total net assets		285,365
Total liabilities and net assets	$	329,302

See accompanying independent auditors' report and notes to financial statements

LA-MÁS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues, gains and other support:		
Foundation grants	$	296,859
Government grants		146,567
Fee for service contracts		378,017
Business donations		66,000
Private donations		27,247
Other		2,782
Total revenues, gains and other support without donor restrictions		917,472
FUNCTIONAL EXPENSES:		
Program services:		
Housing		92,120
Public realm		289,428
Small business		12,163
Fundraising		25,473
General administration		294,259
Business development		56,695
Total functional expenses		770,139
INCREASE IN TOTAL NET ASSETS:		147,333
NET ASSETS, at beginning of year		138,032
NET ASSETS, at end of year	$	285,365

LA-MÁS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services						
	Housing	Public Realm	Small Business	Fundraising	General Administration	Business Development	TOTAL
Salaries and wages	$ 84,816	$ 88,321	$ 11,083	$ 10,756	$ 206,654	$ 46,304	$ 447,934
Insurance	-	-	-	-	19,844	-	19,844
Rent and office supplies	-	-	-	-	37,682	-	37,682
Professional fees	-	-	-	-	20,340	-	20,340
Dues and subscriptions	-	-	-	-	648	-	648
Bank and credit card fees	-	-	-	-	190	-	190
Carfare, mileage, parking	-	-	-	-	780	-	780
Repairs and maintenance	-	-	-	-	335	-	335
Tuition and professional development	-	-	-	-	946	-	946
Postage and delivery	-	-	-	-	144	-	144
Interest and finance charges	-	-	-	-	42	-	42
Taxes	-	-	-	-	75	-	75
Advertising and promotion	-	-	-	-	-	627	627
Event expenses	-	-	-	14,053	-	-	14,053
Travel	-	10	-	-	-	7,497	7,506
Meetings, conferences, seminars	-	9	-	-	-	453	462
Printing and reproduction	-	-	-	-	-	686	686
Meals	-	-	-	-	-	963	963
Donations and contributions	-	-	-	-	-	165	165
Donation processing	-	-	-	664	-	-	664
Independent contractors	1,730	58,807	-	-	4,909	-	65,446
License, permits and fees	1,676	6,535	-	-	250	-	8,462
Materials and supplies	3,899	135,746	1,080	-	31	-	140,756
Depreciation	-	-	-	-	1,391	-	1,391
Total	$ 92,120	$ 289,428	$ 12,163	$ 25,473	$ 294,259	$ 56,695	$ 770,139

LA-MÁS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	147,333
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		1,391
Changes in operating assets and operating liabilities:		
Accounts receivable		(91,173)
Security Deposit		(1,300)
Accounts payable		6,202
Accrued expenses		1,795
Deferred revenue		32,141
Net cash provided by operating activities		96,389
Net Increase in Cash and Cash Equivalents		96,389
Cash and Cash Equivalents at Beginning of Year		87,223
Cash and Cash Equivalents at End of Year	$	183,612

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest expense paid during the year	$	41

LA-MÁS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(1) NATURE OF OPERATIONS

LA-MÁS, Inc. (the "Organization") is a non-profit urban design organization that helps lower-income and underserved communities shape their future through policy and architecture. We envision a world where city growth is equitable and self-directed where the best local solutions are brought to a city-wide scale.

Our projects focus on communities in transition that are often underserved or overlooked by traditional service providers. Local city departments want to support and improve these areas, but are left with little budget and capacity to do so. Our unique non-profit fee-for-service model enables us to serve communities that need the most support, and do so in a way that preserves their local identity. These communities don't need new strategies or ideas labeled "innovative" by outsiders. They need an advocate, a translator, an intermediary to raise up what is already working locally and grow by their own rules. Through our process we elevate what works, and collaborate with city departments and developers to create much needed, local, contextual change. We believe everyone deserves an inclusive process for the growth of their community.

In addition to localized project work, we strive to impact change at a larger scale across many zip codes. By working on different projects of different scales with different city departments, we uncover challenges with existing policies and connect the dots between project solutions. We keep a birds' eye view on how the urban realm is transforming Los Angeles, and use this vantage point to make informed recommendations and push policy forward. By lifting up latent models from individual communities, we offer recommendations that can positively impact hundreds of communities across the city.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of 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 Organization 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 of absence of donor of grantor-imposed restrictions. However, if a contribution is received with donor restriction and is fulfilled in the same time period in which the contribution is received, the Organization reports the support as contribution without donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

LA-MÁS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Basis of Presentation - cont'd

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.

Donated noncash items are reflected in the financial statements as contributions when the requirements for recognition are met. Donations of property, equipment, material and professional services are recorded at their estimated fair value.

Management Estimates

In preparing financial statements to conform with generally accepted accounting principles used in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization maintains its cash balances in high credit quality financial institutions. At times, these balances may exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Cash equivalents include money market accounts, time deposits, certificates of deposits and all highly liquid debt instruments with original maturities of three months or less which are not securing any of the Organization's obligations.

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

Property and Equipment

Property and equipment are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which are generally 3 to 5 years. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash designated to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Income taxes

The Organization is exempt from taxes under Section501(c)(3) of the Internal Revenue Code ("IRC"), and from federal and state income taxes under Section501(a) of the IRC and corresponding sections of 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 Organization's federal income tax returns for the tax years 2015 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its only state tax jurisdiction, remain subject to examination by state taxing authorities for the tax years 2014 and beyond.

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

Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. The recorded values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values based on their short-term nature.

In-Kind Contributed Services

In-kind contributed services and costs are reflected at the fair value of the services received. The contribution of services and costs are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing them, and (c) the services and costs would typically need to be purchased if not provided by donation. For the year ended December 31, 2018, the Organization did not recognize any in-kind contributed services as they did not meet the criteria above.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. The Organization provides allowances for doubtful accounts when it deems accounts receivable to be uncollectible. Management has reviewed the accounts receivable aging and determined that no allowance for uncollectible accounts is necessary.

Functional Expenses Classification

Costs are charged to program and supporting services (general administration) based primarily on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated (indirect costs applied) on comparably reasonable bases of allocation.

Subsequent Events

The Organization 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 22, 2018, the date the financial statements were available to be issued. Based upon this evaluation, management determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consisted of cash equivalents. The Organization generally places its cash and cash equivalents with high credit quality financial institutions. At times, such cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000.

(3) PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 consisted of the following:

	2018
Computers	$ 4,173
Less accumulated depreciation	(2,782)
	$ 1,391

Depreciation expense for the year ended December 31, 2018 was $ 1,391.

(4) LEASE COMMITMENT

The Organization conducts its operations in office leased facilities in Los Angeles, California. The Organization entered into a new office lease starting February 1, 2019 and ending February 1, 2020, with monthly payments of $1,300. The lease includes an option to renew for two additional one-year-term, with a 6.0% increase each renewal term.

Rent expense for the year ended December 31, 2018 totaled $17,000.

LA-MÁS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(5) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced if any, by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position at December 31, 2018.

Cash and cash equivalents	$	183,612
Accounts receivable, no allowance necessary		143,000
Less funds need for:		
Payment of accounts payable and accrued expenses		(11,796)
Financial assets available to meet cash needs for general expenditures within one year	$	314,816

None of the net financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position. LA-MÁS has a goal to maintain financial assets, which consist of cash on hand to meet 90 days of normal operating expenses. LA-MÁS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(6) RECENT ACCOUNTING PRONOUCEMENTS

I. 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.

(6) RECENT ACCOUNTING PRONOUCEMENTS - CONT'D

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.

III. 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 twelve 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.