

LA-MAS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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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 AUDITORS' REPORT

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

We have audited the accompanying financial statements of LA-MAS, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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-MAS, Inc. as of December 31, 2017, 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 19, 2018

LA-MAS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 87,223
Accounts receivable, no allowance necessary	<u>51,827</u>

Total current assets 139,050

PROPERTY AND EQUIPMENT, net (Note 3) 2,782

\$ 141,832

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,705
Accrued vacation	<u>2,095</u>

Total current liabilities 3,800

NET ASSETS

Unrestricted 138,032

Total net assets 138,032

\$ 141,832

See accompanying independent auditors' report and notes to financial statements

LA-MAS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

CHANGES IN UNRESTRICTED NET ASSETS

Revenues, gains and other support

Foundation grants	\$ 259,350
Government grants - fee for service projects	202,846
Government grants - restricted	11,280
Fee for service projects	90,634
Business donations	90,550
Private donations	31,980
Other	<u>5,651</u>
Total unrestricted revenues, gains and other support	<u>692,291</u>

FUNCTIONAL EXPENSES

Program services	
Housing	65,121
Public realm	145,748
Small business	108,869
Fundraising	15,456
General administration	162,662
Business development	<u>94,730</u>
Total functional expenses	<u>592,587</u>

CHANGE IN NET ASSETS 99,704

NET ASSETS, beginning of year 38,328

NET ASSETS, end of year \$ 138,032

See accompanying independent auditors' report and notes to financial statements

LA-MAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				General Administration	Business Development	TOTAL
	Housing	Public Realm	Small Business	Fundraising			
Advertising and promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,172	\$ 7,172
Bank and credit card fees	-	-	-	-	368	-	368
Carfare, mileage, parking	235	63	2	-	1,108	426	1,833
Donations and contributions	-	-	-	-	550	-	550
Dues and subscriptions	-	-	-	-	406	-	406
Insurance	-	-	-	-	25,420	-	25,420
Independent contractors	13,289	40,630	47,192	13,497	-	-	114,608
Interest and finance charges	-	-	-	-	1,714	-	1,714
License, permits and fees	6,090	1,797	1,495	-	397	622	10,401
Materials and supplies	694	39,310	14,131	1,924	960	-	57,019
Meals	-	-	-	35	-	735	770
Meetings, conferences, seminars	-	-	-	-	172	1,617	1,789
Rent and office supplies	-	28	-	-	32,123	50	32,201
Repairs and maintenance	-	-	-	-	657	-	657
Depreciation	-	-	-	-	1,391	-	1,391
Salaries and wages	44,814	62,409	46,049	-	81,425	80,114	314,811
Postage and delivery	-	-	-	-	132	34	166
Printing and reproduction	-	1,511	-	-	470	711	2,692
Professional fees	-	-	-	-	11,520	-	11,520
Taxes	-	-	-	-	50	-	50
Travel	-	-	-	-	3,385	3,250	6,636
Tuition and professional development	-	-	-	-	414	-	414
Total	\$ 65,121	\$ 145,748	\$ 108,869	\$ 15,456	\$ 162,662	\$ 94,730	\$ 592,587

See accompanying independent auditors' report and notes to financial statements

LA-MAS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 99,704
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	(51,827)
Accounts payable and accrued expenses	(6,422)
Net cash provided by operating activities	<u>42,846</u>
CASH FLOWS FROM INVESTING ACITIVITIES	
Purchase of computers	<u>(4,173)</u>
Net cash (used-in) investing activities	<u>(4,173)</u>
CASH FLOWS FROM FINANCING ACITIVITIES	
Repayment of loan	<u>(14,000)</u>
Net cash (used-in) financing activities	<u>(14,000)</u>
Net Increase in Cash and Cash Equivalents	24,673
Cash and Cash Equivalents, Beginning of Year	<u>62,550</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 87,223</u></u>

See accompanying independent auditors' report and notes to financial statements

LA-MAS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(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 Organization 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 net assets. The Organization had no temporarily or permanently restricted assets as of December 31, 2017.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on donors' restrictions. Restricted net assets are reclassified to unrestricted net assets when time or purpose restrictions are met. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

LA-MAS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - cont'd

Donated noncash items are reflected in the financial statements as contributions when the requirements for recognition are met. Donations of property and 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 obligations.

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.

LA-MAS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 Section 501(c)(3) of the Internal Revenue Code ("IRC"), and from federal and state income taxes under Section 501(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 most significant tax jurisdiction, remain subject to examination by state taxing authorities for the tax years 2014 and beyond.

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.

LA-MAS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

In-Kind Costs

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, 2017, the Organization did not recognize any in-kind contributed services as they did not meet to 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 Allocation of Expenses

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, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 19, 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.

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.

LA-MAS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(3) PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 consisted of the following:

	2017
Computers	\$ 4,173
Less accumulated depreciation	(1,391)
	<u>\$ 2,782</u>

Depreciation expense for the year ended December 31, 2017 was \$ 1,391.

(4) LEASE COMMITMENTS

The Organization conducts its operations at leased office facilities in Los Angeles, California. The initial lease terms were as follows: starting date of August 25, 2015 and ending date of October 31, 2015 with monthly payments of \$900, with renewal or extensions at the owners discretion; after October 2015, the lease became month-to-month at \$1,100 per month.

Rent expense for the year ended December 31, 2017 totaled \$11,633.

(5) 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.

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.

LA-MAS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(5) RECENT ACCOUNTING PRONOUCEMENTS - CONT'D

- II. 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.
- III. In August 2016, the FASB issued **ASU 2016-14, Presentation of Financial Statements of Non-for-Profit Entities**, which decreases the number of net assets classes from three to two, *net assets with donor restrictions* and *net assets without donor restrictions*.

The standard also:

- (a) Requires reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments;
- (b) Requires non-profits to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks.
- (c) Requires quantitative information that communicates the availability of the non-profit’s financial assets at the balance sheet date to meet cash needs for general expenditures within one year, to be presented on the face of the financial statement and/or in the notes;
- (d) Requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

The guidance will be effective for fiscal years beginning after December 15, 2017, with early application of the standard permitted.