

**LA-MÁS, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

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Certified Public Accountants and Business Consultants

Member of American Institute of Certified Public Accountants and California Society of Public Accountants  
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## INDEPENDENT AUDITORS' REPORT

To Management of  
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, 2019, 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.

### **Auditors' 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, 2019, 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 25, 2020

**LA-MÁS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 345,523
Accounts receivable, no allowance necessary	<u>209,806</u>
Total current assets	555,329

Property and equipment, net (Note 3)	-
Security deposit	<u>1,950</u>
Total non-current assets	<u>1,950</u>

Total Assets	<u><u>\$ 557,279</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 16,399
Accrued vacation	7,408
Deferred revenue	<u>194,100</u>
Total liabilities	<u>217,907</u>

NET ASSETS:

Without donor restrictions:	
Undesignated	<u>339,372</u>
Total net assets	<u>339,372</u>

Total liabilities and net assets	<u><u>\$ 557,279</u></u>
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See accompanying independent auditors' report and notes to financial statements

**LA-MÁS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

Revenues, gains and other support:

Foundation grants	\$ 289,641
Government grants	175,831
Business donations	103,580
Private donations	31,167
Fee for service contracts	29,226
Other	<u>16,631</u>

Total revenues, gains and other support  
without donor restrictions

646,076

FUNCTIONAL EXPENSES:

Program services:

Housing	220,380
Public realm	28,597
Small business	152,590
Fundraising	24,582
General administration	123,045
Business development	<u>42,876</u>
Total functional expenses	<u>592,069</u>

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

54,007

NET ASSETS, at beginning of year

285,365

NET ASSETS, at end of year

\$ 339,372

See accompanying independent auditors' report and notes to financial statements

**LA-MÁS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services			Fundraising	General Administration	Business Development	TOTAL
	Housing	Public Realm	Small Business				
Salaries and wages	\$ 195,298	\$ 17,810	\$ 146,674	\$ 9,929	\$ 57,680	\$ 32,466	\$ 459,858
Insurance	-	-	-	-	23,569	-	23,569
Rent and office supplies	-	-	-	-	31,400	-	31,400
Professional fees	-	-	-	-	6,900	-	6,900
Dues and subscriptions	-	-	-	-	697	-	697
Bank and credit card fees	-	-	-	-	120	-	120
Carfare, mileage, parking	-	-	-	-	180	-	180
Repairs and maintenance	-	-	-	-	400	-	400
Tuition and professional development	-	-	-	-	598	-	598
Postage and delivery	-	-	-	-	7	-	7
Taxes	-	-	-	-	104	-	104
Advertising and promotion	-	-	-	-	-	180	180
Events	-	-	-	13,404	-	96	13,500
Travel	-	-	-	-	-	525	525
Meetings, conferences, seminars	-	-	-	-	-	213	213
Printing and reproduction	-	-	-	-	-	103	103
Meals	-	-	-	-	-	193	193
Donations and contributions	-	-	-	-	-	108	108
Donation processing	-	-	-	1,248	-	28	1,276
Independent contractors	7,213	6,950	-	-	-	-	14,163
License, permits and fees	1,884	1,177	-	-	-	-	3,061
Materials and supplies	15,986	2,660	5,916	-	-	8,965	33,526
Depreciation	-	-	-	-	1,391	-	1,391
<b>Total</b>	<b>\$ 220,380</b>	<b>\$ 28,597</b>	<b>\$ 152,590</b>	<b>\$ 24,582</b>	<b>\$ 123,045</b>	<b>\$ 42,876</b>	<b>\$ 592,069</b>

See accompanying independent auditors' report and notes to financial statements

**LA-MÁS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 54,007
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	(66,806)
Security deposit	(650)
Accounts payable	8,493
Accrued vacation	3,518
Deferred revenue	161,959
Net cash provided by operating activities	<u>161,911</u>
Net increase in cash and cash equivalents	161,911
Cash and cash equivalents at beginning of year	<u>183,612</u>
Cash and cash equivalents at end of year	<u><u>\$ 345,523</u></u>

See accompanying independent auditors' report and notes to financial statements

**LA-MÁS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(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. 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 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 in **northeast Los Angeles**, 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 Organization 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 assets, revenue, contributions, fundraising, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. However, if a contribution is received with a donor restriction and is fulfilled in the same time period in which the contribution is received, the Organization reports the support as a contribution without donor restriction. 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, 2019**

(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.

**LA-MÁS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Property and Equipment

Property and equipment are capitalized at cost if the purchase price exceeded \$5,000 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.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 2016 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 2015 and beyond.

**LA-MÁS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(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, accrued expenses and deferred revenue. 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, 2019, 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, 2019, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 25, 2020, 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.

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events and the potential impact on the Organization cannot be reasonably estimated at this time.

**LA-MÁS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(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. For the year ended December 31, 2019, the Organization had bank balances exceeding this limit by approximately \$95,000.

(3) PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 consisted of the following:

	2019
Computers	\$ 4,173
Less accumulated depreciation	(4,173)
	<u>\$ -</u>

Depreciation expense for the year ended December 31, 2019 was \$ 1,391.

(4) COMMITMENTS

Operating Lease

The Organization conducts its operations in office leased facilities in Los Angeles, California, under an office lease starting February 1, 2019 and ending February 1, 2020, with discounted below market monthly payments of \$1,300. The Organization renewed its lease agreement for an additional one-year-term ending February 1, 2021, with monthly payments of \$1,378. Rent expense for the year ended December 31, 2019 totaled \$14,887.

Line of Credit

The Organization obtained a revolving line of credit of \$150,000 with Genesis LA, with a 6% interest rate, maturity date of September 30, 2022, secured by all assets of the Organization and subject to certain financial covenants "as defined". As of December 31, 2019, there was no outstanding balance on the line of credit account.

**LA-MÁS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(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, 2019.

Cash and cash equivalents	\$ 345,523
Accounts receivable, no allowance necessary	<u>209,806</u>
Net financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>555,329</u></u>

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. The Organization has a goal to maintain financial assets consisting of cash on hand to meet minimum 90 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's funding is mainly derived from various sources including foundations, local governments, businesses and private donations, and the Organization adheres to a strict annual operating budget approved by the Board of Directors every year. These factors make the Organization less susceptible to unanticipated liquidity needs. The Organization also has a \$150,000 revolving line of credit available to meet short-term needs in case of emergency cash flow needs. See Note 4 for additional information about this arrangement.

(6) RECENT ACCOUNTING PRONOUNCEMENTS

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, 2020, with early adoption permitted.