

PRELIMINARY DRAFT

For Discussion and Review Only
Subject to Change
No Opinion Expressed or Implied

**WESTWOOD VILLAGE IMPROVEMENT ASSOCIATION
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

DECEMBER 31, 2019

PRELIMINARY DRAFT

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	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 11

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PRELIMINARY DRAFT
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INDEPENDENT AUDITOR'S REPORT
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January 24, 2020

Board of Directors
Westwood Village Improvement Association
Los Angeles, California

We have audited the accompanying financial statements of Westwood Village Improvement Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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.

PRELIMINARY DRAFT

Opinion

For Discussion and Review Only

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westwood Village Improvement Association 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.

**WESTWOOD VILLAGE IMPROVEMENT ASSOCIATION
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STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

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ASSETS:

Cash and cash equivalents	\$ 259,010
Assessments receivable	1,510,685
Prepaid expenses	32,491
Furniture and equipment - Net of accumulated depreciation of \$2,270	<u> -</u>

TOTAL ASSETS **\$ 1,802,186**

LIABILITIES AND NET ASSETS:

Accounts payable and other current liabilities	\$ 62,744
Deferred assessment revenues (Note B)	<u>1,670,386</u>
	<u>1,733,130</u>

COMMITMENTS (Note C)

NET ASSETS:

Without donor restrictions	47,146
With donor restrictions	<u>21,910</u>
	<u>69,056</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 1,802,186**

See notes to the financial statements.

**WESTWOOD VILLAGE IMPROVEMENT ASSOCIATION
(A NONPROFIT ORGANIZATION)**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Business improvement district assessments (Notes A and B)	\$ 1,478,005	\$ -	\$ 1,478,005
Grants	1,800	5,299	7,099
Other	8,850	-	8,850
Investment revenues	4,246	-	4,246
Net assets released upon satisfaction of restrictions	<u>1,400</u>	<u>(1,400)</u>	<u>-</u>
Total revenue and support	<u>1,494,301</u>	<u>3,899</u>	<u>1,498,200</u>
FUNCTIONAL EXPENSES:			
Program services	1,398,347	-	1,398,347
Management and general services	<u>79,661</u>	<u>-</u>	<u>79,661</u>
Total functional expenses	<u>1,478,008</u>	<u>-</u>	<u>1,478,008</u>
CHANGE IN NET ASSETS	16,293	3,899	20,192
NET ASSETS - BEGINNING	<u>30,853</u>	<u>18,011</u>	<u>48,864</u>
NET ASSETS - ENDING	<u>\$ 47,146</u>	<u>\$ 21,910</u>	<u>\$ 69,056</u>

See notes to the financial statements.

**WESTWOOD VILLAGE IMPROVEMENT ASSOCIATION
(A NONPROFIT ORGANIZATION)**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General Services	Total
Personnel:			
Salaries	\$ 252,692	\$ 28,077	280,769
Payroll taxes	18,435	2,048	20,483
Employee benefits	25,451	2,828	28,279
Total personnel	296,578	32,953	329,531
Operations:			
Clean, Safe and Beautiful Program:			
Affecting homelessness	57,743	-	57,743
Ambassadors	202,424	-	202,424
General maintenance	355,805	-	355,805
Infrastructure	9,572	-	9,572
Landscaping	6,704	-	6,704
Pressure washing	159,891	-	159,891
Tree lighting	19,384	-	19,384
Tree maintenance	85,000	-	85,000
Total Clean, Safe and Beautiful	896,523	-	896,523
Business development	-	5,989	5,989
Dues and subscriptions	1,922	213	2,135
Educations and staff development	-	6,808	6,808
Equipment rental	1,605	178	1,783
General communications	24,966	2,774	27,740
Holiday projects	41,414	-	41,414
Insurance	38,207	4,245	42,452
Meetings	-	3,273	3,273
Miscellaneous	-	705	705
Occupancy	66,319	7,369	73,688
Office supplies	9,235	1,026	10,261
Postage	248	28	276
Printing	1,231	137	1,368
Professional services	11,377	11,377	22,754
Telephone	6,150	683	6,833
Travel	753	84	837
Website	1,819	1,819	3,638
Total operations	1,101,769	46,708	1,148,477
Total functional expenses	\$ 1,398,347	\$ 79,661	\$ 1,478,008
	94.6%	5.4%	100.0%

See notes to the financial statements.

**WESTWOOD VILLAGE IMPROVEMENT ASSOCIATION
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STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 20,192
Change in assets and liabilities:	
Decrease in assessments receivable	29,802
Increase in prepaid expenses	(6,740)
Decrease in accounts payable and other current liabilities	(11,685)
Increase in deferred assessment revenues	<u>10,460</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,029
CASH AND CASH EQUIVALENTS - Beginning of year	<u>216,981</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 259,010</u></u>

See notes to the financial statements.

WESTWOOD VILLAGE IMPROVEMENT ASSOCIATION
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NOTES TO THE FINANCIAL STATEMENTS

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Westwood Village Improvement Association (“WVIA”) is a nonprofit public benefit organization incorporated August 2000 in California. In August 2011, WVIA entered into a contract with the City of Los Angeles (“City”) to administer the Westwood (California) Business Improvement District.

Financial Statement Presentation

WVIA implemented Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in the general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor 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. 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.

Fair Value of Financial Instruments

Financial instruments include primarily cash and cash equivalents, grants receivable, accounts payable and other current liabilities. Due to the short-term nature of these items, the carrying amounts approximate their fair value.

Accounting for Grants and Pledges

Grants received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any restrictions. Additionally, promises to contribute in future periods are recognized as with donor restrictions. When restrictions are satisfied, either by the passage of time or by accomplishing their purpose they are reclassified to without donor restrictions and reported in the activity statement as net assets released from restriction. When restrictions are satisfied in the same accounting period as the receipt of the contribution, WVIA reports both the revenue and the related expense, if any, in the net assets without donor restrictions class.

WESTWOOD VILLAGE IMPROVEMENT ASSOCIATION
(A NONPROFIT ORGANIZATION)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounting for Grants and Pledges (Continued)

Unconditional promises to contribute in future periods are measured at their present value of estimated cash flows at the time of the promise is made. The present value discount is amortized to contribution revenue over the term of the pledge.

Cash and Cash Equivalents

For purposes of the statement of cash flows, WVIA considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Assessments Receivable and Deferred Assessment Revenues

WVIA records assessments receivable and deferred assessment revenues at the date of the assessments. Assessment revenues are earned when funds are disbursed or accrued for program expenses.

Furniture and Equipment and Related Depreciation

Furniture and equipment are stated at cost. Depreciation is provided by use of the straight-line method over the estimated three year useful live of the assets.

Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Certain expenses are associated with more than one program or supporting service have been allocated among the programs and supporting services benefitted based on management's estimates of time spent on various programs and services by WVIA's personnel.

Income Taxes

WVIA is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. WVIA is classified by the Internal Revenue Service as other than a private foundation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Concentration of Credit Risk

Items which potentially expose WVIA to concentrations of credit risk consist primarily of cash and cash equivalents and sources of revenue and support.

Cash and cash equivalents are placed in high-credit quality financial institutions. At times the amounts on deposit at a bank may be in excess of the FDIC insurance limits. WVIA has not incurred losses related to the cash and cash equivalents.

During the year ended December 31, 2019, WVIA received 98.7% of its total revenue and support from the contract with the City of Los Angeles. Unpaid assessments are subject to liens on the assessed properties. WVIA may not receive the full assessed amounts as delinquent assessments may not be collected within the term of the contract.

Date of Management's Review

Subsequent events were evaluated through January 24, 2020 which is the date the financial statements were available to be issued.

B. BUSINESS IMPROVEMENT DISTRICT CONTRACTS

In August 2011, WVIA entered into a contract with the City to administer the Westwood (California) Business Improvement District, which expired on December 31, 2013. In November 2013, WVIA renewed the contract with the City for the period January 1, 2014 through December 31, 2016 under the same basic terms and conditions. In June 2016, WVIA renewed the contract with the City for the period January 1, 2017 through December 31, 2026. Under the contract, WVIA is to develop, implement, direct and operate the District's programs, improvements or activities. The City is responsible for billing and collecting the District's assessments, including assisting in the resolution of any discrepancies in assessment amounts, calculations, timely collections and reasonable efforts to pursue delinquent assessments. The City passes certain costs associated with the billing, account maintenance, program and report reviews as well as liaison activities, assistance and general and administrative costs to WVIA. During the year ended December 31, 2019, City costs associated with the contract were \$29,192.

The City must disburse actual revenues received from District assessments in a timely manner periodically throughout the year. Revenues are earned when disbursed by the City. During the year ended December 31, 2019, WVIA had earned assessment revenues of approximately \$1,478,000 which were disbursed for program expenses in 2019.

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C. COMMITMENTS

WVIA is committed under an operating lease for its offices that expiring in March 2022. The lease contains provisions for annual increases in the base lease and the pass-through of certain common-area costs. Additionally, WVIA is committed under an operating lease for office space for the Ambassador's program that expired November 30, 2014 that contains a provision for automatic monthly renewals until terminated by either party. The amount of the lease is reimbursed through the vendor providing the ambassadors. Future minimum lease payments at December 31, 2019 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2020	\$ 70,600
2021	73,100
2022	<u>18,400</u>
	<u>\$ 162,100</u>

WVIA is committed under an employment contract through December 2020 unless terminated by written notice by either party.

WVIA is committed under various contracts for consulting, services and maintenance. The contracts contain options for cancellation by either party and are for periods of one year or less.

D. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for general support in future years.

E PENSION PLAN

WVIA established a Simple Investment Match Plans for Employees (SIMPLE-IRA) covers all employees who earn the minimum salary as defined in the Plan. The Plan allows elective salary contributions by the employees plus matching contributions by WVIA of mandatory matching of 5%. During the year ended December 31, 2019 WVIA contributed \$7,670 to the Plan.

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F LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use, within one year of the statement of financial position are comprised as follows:

Cash and cash equivalents	\$ 237,100
Accounts receivable	1,510,685
Prepaid expenses	<u>32,491</u>
	<u>\$ 1,780,276</u>

As part of the liquidity management plan, WVIA invests cash in excess of working requirements in money market funds which were approximately \$175,000 at December 31, 2019