

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA**

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Imagine Los Angeles, Inc.
dba Imagine LA

Report on the Financial Statements

We have audited the accompanying financial statements of Imagine Los Angeles, Inc. dba Imagine LA (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.

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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Imagine Los Angeles, Inc. dba Imagine LA 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Imagine Los Angeles, Inc. dba Imagine LA's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

May 23, 2019

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA**

STATEMENT OF FINANCIAL POSITION

December 31, 2018

With comparative totals at December 31, 2017

	2018	2017
ASSETS		
Cash	\$ 385,025	\$ 137,963
Accounts and grants receivable	58,510	115,513
Pledges receivable (Note 4)	2,050	18,740
Prepaid expenses	27,338	23,103
Property and equipment (Note 5)	86,581	99,711
TOTAL ASSETS	\$ 559,504	\$ 395,030
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 27,547	\$ 19,600
Accrued liabilities (Note 6)	64,299	46,958
Line of credit (Note 7)	-	-
TOTAL LIABILITIES	91,846	66,558
NET ASSETS		
Without donor restrictions	339,410	84,717
With donor restrictions (Note 8)	128,248	243,755
TOTAL NET ASSETS	467,658	328,472
TOTAL LIABILITIES AND NET ASSETS	\$ 559,504	\$ 395,030

The accompanying notes are an integral part of these financial statements.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA**

STATEMENT OF ACTIVITIES
For the year ended December 31, 2018
With comparative totals for the year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018	2017
REVENUE AND SUPPORT				
Contributions and grants	\$ 435,190	\$ 209,953	\$ 645,143	\$ 695,519
In-kind contributions (Note 9)	305,547		305,547	346,076
Special event, net of expenses of \$68,111	355,190		355,190	292,457
Contracts	324,890		324,890	110,231
Other income	1,507		1,507	251
Nets assets released from restrictions (Note 8)	325,460	(325,460)	-	-
TOTAL REVENUE AND SUPPORT	1,747,784	(115,507)	1,632,277	1,444,534
EXPENSES				
Program expenses	1,011,961		1,011,961	995,717
Management and general	268,051		268,051	179,243
Development	213,079		213,079	188,201
TOTAL EXPENSES	1,493,091	-	1,493,091	1,363,161
CHANGE IN NET ASSETS	254,693	(115,507)	139,186	81,373
NET ASSETS, BEGINNING OF YEAR	84,717	243,755	328,472	247,099
NET ASSETS, END OF YEAR	\$ 339,410	\$ 128,248	\$ 467,658	\$ 328,472

The accompanying notes are an integral part of these financial statements.

IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018
With comparative totals for the year ended December 31, 2017

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Development</u>	<u>2018</u>	<u>2017</u>
Personnel costs	\$ 538,205	\$ 132,432	\$ 141,005	\$ 811,642	\$ 604,710
In-kind expenses	266,097	39,450		305,547	346,076
Professional/contractor services	44,939	68,260	33,094	146,293	216,345
Office rent and related expenses	45,028	9,994	9,520	64,542	66,162
Family direct expenses	19,778			19,778	21,009
Depreciation and amortization expenses	14,205	2,798	2,426	19,429	10,377
Professional development	13,899	2,036	471	16,406	17,460
Travel, mileage, and meetings	11,209	2,184	1,915	15,308	13,405
Communications and outreach	7,190	966	6,761	14,917	2,887
Telephone, internet, and website	10,126	1,698	1,726	13,550	12,116
Bank and finance charges		1,353	9,859	11,212	9,313
Office supplies	5,963	1,634	1,468	9,065	9,937
Information technology service	6,138	1,301	1,348	8,787	6,502
Other expenses	8,362	316	37	8,715	4,497
Insurance, tax, and license	5,776	1,640	1,144	8,560	5,581
Postage and printing	5,031	1,111	1,411	7,553	11,827
Computer, equipment, and software	4,118	878	894	5,890	3,078
Event expenses	3,883			3,883	-
Volunteer expenses	2,014			2,014	1,879
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 1,011,961	\$ 268,051	\$ 213,079	\$ 1,493,091	
	68%	18%	14%	100%	
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 995,717	\$ 179,243	\$ 188,201		\$ 1,363,161
	73%	13%	14%		100%

The accompanying notes are an integral part of these financial statements.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA**

STATEMENT OF CASH FLOWS
For the year ended December 31, 2018
With comparative totals for the year ended December 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 139,186	\$ 81,373
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	19,429	10,377
(Increase) decrease in operating assets:		
Accounts and grants receivable	57,003	7,862
Pledges receivable	16,690	8,289
Prepaid expenses	(4,235)	(3,814)
Increase (decrease) in operating liabilities:		
Accounts payable	7,947	4,465
Accrued liabilities	17,341	6,604
 NET CASH PROVIDED BY OPERATING ACTIVITIES	253,361	115,156
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(6,300)	(64,155)
 NET CASH (USED) BY INVESTING ACTIVITIES	(6,300)	(64,155)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on line of credit	(63,000)	(50,000)
Borrowings from line of credit	63,000	-
 NET CASH (USED) BY FINANCING ACTIVITIES	-	(50,000)
 NET INCREASE IN CASH	247,061	1,001
 CASH, BEGINNING OF YEAR	137,963	136,962
 CASH, END OF YEAR	\$ 385,024	\$ 137,963
 SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest:	\$ 127	\$ 1,544

The accompanying notes are an integral part of these financial statements.

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA

NOTES TO FINANCIAL STATEMENTS

1. Organization

Imagine Los Angeles, Inc. dba Imagine LA (“Imagine LA”) began as an initiative of Bel Air Presbyterian Church, prior to becoming a separate 501(c)(3) in 2006.

Imagine LA’s 10th anniversary year was one of explosive growth, increased public investment, and capacity building. In 2017, we worked with 42 families and had worked with 125+ families and 500 volunteers cumulatively since the inception of the program in 2008. In 2018 alone, we worked with 105 families (including the 15 families served by our new licensed affiliate, *Imagine Whittier*). Imagine LA increased its staff by 25%, doubled its work in South LA and mid-City, and set the stage to grow in the San Fernando Valley and West LA. Imagine LA spent the last quarter of 2018 developing a robust three-year strategic plan, which puts focus squarely on continued regional growth, program enhancement, community engagement and operational excellence for years 2019 to 2021. Imagine LA aims to be empowering 250 families and 750 to 1,000 mentors annually by 2022.

MODEL: Imagine LA’s unique Family Empowerment & Mentorship (FEM) model provides families who have experienced homelessness (and are now in housing) with intensive case management, volunteer mentorship, workforce development, and resource linkages over a minimum of a 12 to 18 month period. Imagine LA’s program staff helps families set goals and access private and public resources; our community engagement team joins in to recruit and train volunteers to offer 1 on 1 mentorship to each member of the family (over age 5) and provide a financial wellness mentor to the head of household. While most other homeless housing case management services focus their support on the adult head of household, Imagine LA effectively works with whole families both in permanent supportive housing and scattered site apartments. Imagine LA’s model empowers the whole family to stabilize, build relationships, habits and skills, increase their income, and integrate into their communities so they are set up to thrive long term and break their cycle of poverty and homelessness.

GROWTH: Imagine LA’s pace of growth has accelerated since being awarded expandable funding from the LA County Department of Health Services (DHS), via Measure H, in 2017. In addition, in 2018, Imagine LA continued to build consistent and diverse sources of funding (i.e. Individual/Corporate/Events 32%, Foundations 28%, Government 20%, In-kind 19% and Other 1%), and ended 2018 in its strongest cash position since its founding in 2006.

CAPACITY BUILDING: In 2018, Imagine LA committed to upgrade and expand its infrastructure systems to accommodate and fuel its growth, support its infrastructure and heighten its efficiencies and capabilities moving forward. Imagine LA was awarded an IT, capacity-building grant that will be fully implemented in Spring of 2019. Imagine LA’s capacity building efforts also included increases in administrative functions that temporarily increased our administrative allocation percentage, which we expect, with further program growth, will decrease in 2019.

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA

NOTES TO FINANCIAL STATEMENTS

1. Organization, continued

IMPACT: Imagine LA's outcomes data continues to demonstrate the strong impact of its FEM model. In 2018, 97% of the families enrolled in the program have maintained their housing and a good relationship with their landlord. (Notably, two of the longer-term program graduates are now homeowners). Imagine LA's families have demonstrated heightened financial literacy (including budgeting and saving, completing taxes, utilizing the banking system, increasing earned income and decreasing debt). All families are working and/or in school or on workforce development pathways. The vast majority of Imagine LA's family members are receiving regular healthcare. Imagine LA's youth participants are progressing in reaching their developmental milestones and, if applicable, pursuing post-secondary education.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

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:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

With Donor Restrictions. Net assets subject to donor- imposed (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.

Accounts Receivable

Imagine LA are primarily earned receivables from partners and are deemed fully collectible. As such, no allowance for doubtful receivables has been recorded.

continued

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Property and equipment are capitalized if the cost of an asset is greater than or equal to five hundred dollars and the useful life is greater than one year.

Concentration of Credit Risks

Imagine LA places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Imagine LA has not incurred losses related to these investments.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended December 31, 2018, Imagine LA received \$340,547 in donations of material or services that satisfy the criteria of recognition, \$21,262 and \$284,285 related to donations of goods and services, respectively, for operations (see Note 8). The remaining \$35,000 in donations was received for Imagine LA's special event and was included in the special event revenue and expense in the Statement of Activities.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

continued

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Imagine LA is required to measure pledged contribution and donated services at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relates to each element.

Income Taxes

Imagine LA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Imagine LA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Imagine LA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Imagine LA's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit Imagine LA uses salary dollars to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Imagine LA's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through May 23, 2019, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

continued

IMAGINE LOS ANGELES, INC.
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NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. Imagine LA's financial statements for year-ended December 31, 2018 are presented in accordance with ASU 2016-14.

3. Liquidity and Availability of Resources

The following reflects Imagine LA's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions. The contributions receivables are subject to implied time restrictions but are expected to be collected within one year. Imagine LA strives to maintain financial assets, which mainly consist of cash on hand to meet 60 days of normal operating expenses. Imagine LA has a master service agreement with the Los Angeles County Department of Health Services that covers, on a fee-for-service basis, a minimum of 65% of program costs. This is an expandable 10-year contract. As more fully described in Note 7, Imagine LA also has a line of credit in the amount of \$50,000, which it could draw upon in the event of an unanticipated liquidity need.

Financial assets available to meet cash needs for general expenditures consist of the following:

Cash	\$ 385,025
Receivables	<u>60,560</u>
Total financial assets	445,585
Less: contractual or donor-imposed restrictions (by time or purpose)	<u>(128,248)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 317,337</u>

continued

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA

NOTES TO FINANCIAL STATEMENTS

4. Pledges Receivable

Pledges receivable of \$2,050 at December 31, 2018 are recorded at their realizable value and are deemed fully collectible. Therefore, no allowance for doubtful pledges is recorded. Pledges receivable are expected to be collected within one year.

5. Property and Equipment

Property and equipment at December 31, 2018 consist of the following:

Furniture and equipment	\$ 73,766
Leasehold improvements - Granada	50,010
Website	12,259
Less: accumulated amortization	<u>(49,454)</u>
	<u>\$ 86,581</u>

Depreciation and amortization expense for the year ended December 31, 2018 was \$19,429.

6. Accrued Liabilities

Accrued liabilities at December 31, 2018 consist of the following:

Accrued payroll	\$38,794
Accrued vacation	21,823
Other accrued liabilities	<u>3,682</u>
	<u>\$64,299</u>

7. Line of Credit

Imagine LA has a line of credit with a bank, in the amount of \$50,000, bearing interest at 10.125%. The line of credit renews in June 2019. As of December 31, 2018, there was no outstanding balance.

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA

NOTES TO FINANCIAL STATEMENTS

8. Net Assets With Donor Restrictions

Imagine LA's donor restricted net assets at December 31, 2018 are restricted for the following:

Family thriving project	\$ 37,520
Financial stability and asset building	36,224
Beverly Terrace project	24,541
Ambassadors project	14,176
Pledges (time restriction)	8,300
DCFS/TAY evaluation	<u>7,487</u>
	<u>\$128,248</u>

For the year ended December 31, 2018, net assets released from donor restrictions were \$325,460, of which \$287,970 was released from program restrictions, and \$37,490 from time restrictions.

9. In-kind Contributions for Operations

In-kind contributions for operations for the year ended December 31, 2018 consist of the following:

Trained program mentors (services)	\$236,885
Other professional services	47,400
Donated goods for program	<u>56,262</u>
	<u>\$305,547</u>

10. Fair Value Measurements

The table below represents revenues measured at fair value on a non-recurring basis during the year ended December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services, materials, and mentors	\$ -	\$305,547	\$ -	\$305,547
Contributed materials – special events		35,000		35,000
Pledged contributions			<u>2,050</u>	<u>2,050</u>
Fair value at December 31, 2018	<u>\$ -</u>	<u>\$340,547</u>	<u>\$2,050</u>	<u>\$342,597</u>

The fair value of contributed services, materials, and mentors are measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledged contributions - new are measured on a non-recurring basis using the value provided by the donor at the date of pledge and with consideration given to the pledge worthiness of the donor (Level 3 inputs).