

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND
FAMILY INSPIRATION HOUSING, LLC**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Imagine Los Angeles, Inc.
dba Imagine LA
and Family Inspiration Housing, LLC

Opinion

We have audited the accompanying consolidated financial statements of Imagine Los Angeles, Inc. dba Imagine LA and Family Inspiration Housing, LLC (nonprofit organizations), which comprise the Consolidated Statement of Financial Position as of December 31, 2021, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Imagine Los Angeles, Inc. dba Imagine LA and Family Inspiration Housing, LLC as of December 31, 2021, and the changes in their net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Imagine Los Angeles, Inc. dba Imagine LA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Imagine Los Angeles, Inc. dba Imagine LA's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Imagine Los Angeles, Inc. dba Imagine LA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Imagine Los Angeles, Inc. dba Imagine LA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statements of Financial Position and Activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

continued

Report on Summarized Comparative Information

We have previously audited Imagine Los Angeles, Inc. dba Imagine LA's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

July 1, 2022

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

With comparative totals at December 31, 2020

	(Consolidated)		2020
	2021		
ASSETS			
Cash	\$ 674,849	\$	533,200
Accounts and grants receivable	440,785		69,837
Pledges receivable (Note 4)	50,276		42,821
Prepaid expenses	54,256		32,968
Property and equipment (Note 5)	32,560		52,759
TOTAL ASSETS	\$ 1,252,726	\$	731,585
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 26,252	\$	42,561
Accrued liabilities (Note 6)	122,227		92,527
Line of credit (Note 8)	-		-
TOTAL LIABILITIES	148,479		135,088
NET ASSETS			
Without donor restrictions	544,157		382,090
With donor restrictions (Note 9)	560,090		214,407
TOTAL NET ASSETS	1,104,247		596,497
TOTAL LIABILITIES AND NET ASSETS	\$ 1,252,726	\$	731,585

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

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC**

CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2021
With comparative totals for the year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>(Consolidated) 2021</u>	<u>2020</u>
REVENUE AND SUPPORT				
Contributions and grants	\$ 872,013	\$ 786,033	\$ 1,658,046	\$ 1,005,359
Contracts	635,758		635,758	478,873
Paycheck protection program (Note 7)	180,000		180,000	166,500
In-kind contributions (Note 10)	118,930		118,930	117,922
Other income	20,714		20,714	3,412
Special event			-	16,899
Nets assets released from restrictions (Note 9)	440,350	(440,350)	-	-
TOTAL REVENUE AND SUPPORT	<u>2,267,765</u>	<u>345,683</u>	<u>2,613,448</u>	<u>1,788,965</u>
EXPENSES				
Family partnership model	1,551,749		1,551,749	1,307,025
Management and general	287,138		287,138	345,522
Development	266,811		266,811	206,075
TOTAL EXPENSES	<u>2,105,698</u>	<u>-</u>	<u>2,105,698</u>	<u>1,858,622</u>
CHANGE IN NET ASSETS	162,067	345,683	507,750	(69,657)
NET ASSETS, BEGINNING OF YEAR	<u>382,090</u>	<u>214,407</u>	<u>596,497</u>	<u>666,154</u>
NET ASSETS, END OF YEAR	<u>\$ 544,157</u>	<u>\$ 560,090</u>	<u>\$ 1,104,247</u>	<u>\$ 596,497</u>

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

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

	Family Partnership Model	Management and General	Development	(Consolidated) 2021	2020
Salaries	\$ 761,650	\$ 140,531	\$ 98,660	\$ 1,000,841	\$ 834,663
Payroll taxes and benefits	160,019	29,525	20,461	210,005	182,526
Personnel costs	921,669	170,056	119,121	1,210,846	1,017,189
Professional/contractor services	97,429	87,073	77,712	262,214	195,478
Family direct expenses	182,567			182,567	152,849
In-kind expenses	118,930			118,930	117,922
Office rent and related expenses	67,835	12,601	8,667	89,103	93,016
Event expenses	12,905		36,122	49,027	-
Communications and outreach	40,474		8,438	48,912	164,895
Professional development	33,359	3,549	1,491	38,399	27,275
Computer, equipment, and software	26,574	5,226	3,372	35,172	29,155
Depreciation and amortization expenses	14,885	2,754	2,560	20,199	20,872
Telephone, internet, and website	7,923	1,419	1,045	10,387	8,912
Volunteer expenses	9,635			9,635	3,961
Information technology service	6,645	1,226	843	8,714	7,685
Insurance, tax, and license	5,591	1,432	709	7,732	7,682
Bank and finance charges		597	5,221	5,818	4,672
Travel, mileage, and meetings	2,154	630	615	3,399	4,056
Office supplies	2,003	359	276	2,638	2,398
Postage and printing	1,171	216	619	2,006	302
Other expense				-	303
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 1,551,749	\$ 287,138	\$ 266,811	\$ 2,105,698	
	73.69%	13.64%	12.67%	100%	
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 1,307,025	\$ 345,522	\$ 206,075		\$ 1,858,622
	70.32%	18.59%	11.09%		100%

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

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2021
With comparative totals for the year ended December 31, 2020

	(Consolidated)	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:		
Change in net assets	\$ 507,750	\$ (69,657)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	20,199	20,871
(Increase) decrease in operating assets:		
Accounts and grants receivable	(370,948)	22,592
Pledges receivable	(7,455)	(31,821)
Prepaid expenses	(21,288)	(5,050)
Increase (decrease) in operating liabilities:		
Accounts payable	(16,309)	13,580
Accrued liabilities	29,700	12,686
	<u>141,649</u>	<u>(36,798)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	<u>141,649</u>	<u>(36,798)</u>
NET INCREASE (DEREASE) IN CASH AND CASH EQUIVALENTS		
	<u>533,200</u>	<u>569,998</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>\$ 674,849</u>	<u>\$ 533,200</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		

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

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA
and FAMILY INSPIRATION HOUSING, LLC.

NOTES TO CONSOLIDATED 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.

For 15 years, Imagine LA has worked with resilient families emerging from homelessness to ensure they have the resources they need to maintain their housing and plan for the future. Through Imagine LA’s work with hundreds of families, Imagine LA has developed and iterated its intensive Family Partnership Model to effectively prevent repeat homelessness and support families to establish lasting pathways to wellbeing.

Imagine LA envisions a future where the generational cycles of family poverty and homelessness are a thing of the past. Imagine LA’s mission, recently unveiled as part of a strategic rebranding initiative, is: **Together with families, we transform lives by building relationships, wellbeing, and economic mobility.**

Imagine LA has one program, the Family Partnership Model, designed to advance equity and break the cycle of intergenerational poverty and homelessness. The model is a unique, whole-family approach that leverages a powerful combination of clinical case management, trained volunteer mentors from the community, and financial wellness pathways to build strong family stability, economic independence, and wellbeing.

MODEL: Imagine LA’s core program is the Family Partnership Model. Comprised of five pillars, this model ensures that all members of a family have the support they need to achieve their goals and thrive in the long term. These include:

- **First Steps**, where families tap into critical support and services to address their immediate needs;
- **Imagine C.A.R.E.** (Compassion, Advocacy, Resilience, and Economic Mobility), where Imagine LA’s professional social work staff partner with families to provide intensive clinical case management to identify and help families achieve their goals and thrive;
- **Economic Mobility Pathways**, through which families accelerate their work to break the cycle of family poverty through Imagine LA’s financial wellness programming, Living-Wage Jobs Pathways, navigating the social safety net, and connecting with affordable childcare solutions;
- **Mentorship**, through which each family member ages five and older is matched with a trained volunteer mentor to help them achieve goals and grow together; and
- **Imagine Tomorrow**, where Imagine LA continues to engage its alumni families on their path to holistic wellbeing.

Imagine LA’s work with each family is deep and personal. Through multiple strategies and touch points, Imagine LA addresses each family’s unique circumstances and walks alongside them as they build their pathway to whole-family wellbeing.

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA
and FAMILY INSPIRATION HOUSING, LLC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, continued

In 2021, despite the ongoing pandemic, the focused work of the staff and Board took Imagine LA to new levels of service and impact, including:

- Increased the number of Los Angeles families Imagine LA serves by 26%, from 165 families in 2020 to 208 families in 2021.
- Continued the deep work around Equity, Diversity, and Inclusion that began in 2020 with trainings, discussions, and consultation as Imagine LA journeys towards operationalizing EDI internally as an organization and centering it in the work with its families.
- Implemented Imagine LA's effective new Economic Mobility Program to change the trajectories of families throughout Los Angeles through increased access to living wage career pathways, affordable childcare, meaningful financial wellness programming, and support to navigate the complex web of public benefits. This program also caught the attention of new local and national partners, and it was a major factor in Imagine LA being selected as a 2021 Bank of America Neighborhood Builder Award recipient.
- Published and disseminated groundbreaking research with the USC Sol Price Center for Social Innovation on the impact of the complex public benefits system on working families.
- Thoughtfully created and launched a new 2022-2024 Strategic Plan to guide Imagine LA's continued work to end the cycle of family homelessness and poverty for good.
- Maintained financial stability through continued diverse and strong funding sources including growing Imagine LA's cash reserves to cover over three months of operating expenses.

IMPACT*: In 2021, 94% of the families enrolled in Imagine LA's program maintained their housing stability and a good relationship with their landlord. Imagine LA's families demonstrated heightened financial literacy (including budgeting and saving, completing taxes, utilizing the banking system, increasing earned income, and decreasing debt). The majority of Imagine LA's families are working, in school, or on workforce development pathways. 78% of Imagine LA's family members received regular healthcare, and youth participants are progressing in reaching their developmental milestones, embracing school and extracurricular activities and, if applicable, pursuing post-secondary education. (*Please note that these impact percentages were lower than pre-pandemic impact levels primarily due to increased fear of accessing outside services and having to care for children at home.)

In July 2020, Imagine LA formed a California limited liability company, Family Inspiration Housing, LLC ("FIH, LLC"), as its sole member, for charitable purposes as specified in Section 214 of the California Revenue and Taxation Code, including, without limitation, the development and provision of decent housing for low-income and moderate-income individuals. In 2021, via Imagine LA's Family Inspiration Housing pilot program, FIH, LLC master leased 8 units for two years in the California Landmark's "G8" building in the Culver City area. Current and graduated Imagine LA families occupy these units and utilize their Section 8 housing vouchers to help pay for rent. The Family Inspiration Housing program was created to partner with local developers to utilize affordable units to provided immediate tenant based Permanent Supportive Housing (PSH) for families with Imagine LA's Family Partnership Model.

continued

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA
and FAMILY INSPIRATION HOUSING, LLC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

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

Basis of Presentation

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Imagine LA and FIH, LLC (to be collectively referred to as “Imagine LA”). All intercompany transactions and balances have been eliminated upon consolidation.

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.

With Donor Restrictions. Net assets subject 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 those 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 and Grants Receivable

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

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.

continued

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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, 2021, Imagine LA received \$118,930 in donations of material or services that satisfy the criteria of recognition, \$54,661 and \$64,269 related to donations of goods and services, respectively, for operations (see Note 10).

Revenue and Revenue Recognition

Imagine LA recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of Imagine LA's revenue is derived from contract and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Imagine LA has incurred expenditures in compliance with specific contract or grant provisions and/or met the performance requirements over the performance period.

Imagine LA received a \$150,000 conditional grant from a foundation during the year ended December 31, 2019. This conditional grant will be paid over three years at \$50,000 per year. The first \$50,000 was paid upon acceptance of grant agreement, and was recorded by Imagine LA. The second and third payments of \$50,000 would be paid as the lead gift in a \$100,000 fundraising campaign (\$50,000 to be raised and the \$50,000 match from the foundation). Imagine LA could hold the campaign in the first or second year of this grant. In the year ended December 31, 2020, Imagine LA satisfied the \$50,000 fundraising campaign (condition/barrier) and recorded the \$50,000 foundation match. Imagine LA accomplished the same in the year ended December 31, 2021. As such, Imagine LA recorded the remaining \$50,000 foundation match.

continued

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA
and FAMILY INSPIRATION HOUSING, LLC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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

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.

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of consolidated 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 consolidated 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 consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

3. Liquidity and Availability of Resources

The following reflects Imagine LA's financial assets as of December 31, 2021, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions. The pledges 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 8, Imagine LA also has a line of credit in the amount of \$125,000, which it could draw upon in the event of an unanticipated liquidity need.

Financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date consist of the following:

Cash	\$ 674,849
Accounts, grants and pledges receivable	<u>491,061</u>
Total financial assets	1,165,910
Less: contractual or donor-imposed restrictions (by time or purpose)	<u>(560,090)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 605,820</u>

4. Pledges Receivable

Pledges receivable of \$50,276 at December 31, 2021 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.

continued

IMAGINE LOS ANGELES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Property and Equipment

Property and equipment at December 31, 2021 consist of the following:

Furniture and equipment	\$ 73,766
Leasehold improvements - Granada	57,410
Website	12,259
Less: accumulated amortization	<u>(110,875)</u>
	<u>\$ 32,560</u>

Depreciation and amortization expense for the year ended December 31, 2021 was \$20,199.

6. Accrued Liabilities

Accrued liabilities at December 31, 2021 consist of the following:

Accrued payroll	\$ 52,282
Accrued vacation	37,059
Other accrued liabilities	<u>32,886</u>
	<u>\$122,227</u>

7. Paycheck Protection Program

In March 2021, Imagine LA received a second refundable government grant in the amount of \$180,000 under the Small Business Administration's (SBA) Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for grants to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The refundable government grant is forgivable after a period of up to twenty-four weeks ("the covered period") as long as the recipient uses the grant proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its full-time equivalency levels. The amount of forgiveness will be reduced if the recipient terminates employees or reduces salaries during the cover period.

The unforgiven portion of the PPP grant is payable over two years at an interest rate of 1%, with a deferral of either (1) the date that the SBA remits the recipient's forgiveness amount to the lender institution or (2) if the recipient does not apply for forgiveness, 10 months after the end of the recipient's forgiveness covered period. Imagine LA used the proceeds for purposes consistent with the PPP. Imagine LA currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

Imagine LA, under the guidance FASB ASC 958-605, Not-for-profit (NFP) Entities — Revenue Recognition, deemed the PPP proceeds to be a conditional grant. Having met the grant conditions by expending the funds on qualifying expenses during the year, Imagine LA recorded the revenue as earned during the year ended December 31, 2021. Also, see Note 12 regarding SBA's rights and requirements and Note 13 regarding loan forgiveness.

continued

IMAGINE LOS ANGELES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Line of Credit

Imagine LA has a revolving line of credit with a bank, in the amount of \$125,000, bearing interest at an initial index 5.25% and a margin of 4.625%. At December 31, 2021, there was no outstanding balance.

9. Net Assets With Donor Restrictions

Imagine LA's donor restricted net assets at December 31, 2021 are restricted for the following:

<u>Purpose</u>	
Economic mobility	\$217,554
Database/marketing collateral	62,500
Community engagement	40,000
Social benefit calculator	<u>14,760</u>
	334,814
<u>Time</u>	
Pledges	<u>225,276</u>
Total	<u>\$560,090</u>

For the year ended December 31, 2021, net assets released from donor restrictions were \$440,350, of which \$222,529 was released from program restrictions and \$217,821 from time restrictions.

10. In-kind Contributions

In-kind contributions for the year ended December 31, 2021 consist of the following:

Trained program mentors (services)	\$ 63,019
Donated goods	54,661
Other professional services	<u>1,250</u>
	<u>\$118,930</u>

11. Fair Value Measurements

The table below represents revenues measured at fair value on a non-recurring basis during the year ended December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services, materials, and mentors	\$ -	\$118,930	\$ -	\$118,930
Pledged contributions	<u> </u>	<u> </u>	<u>50,276</u>	<u>50,276</u>
Fair value at December 31, 2021	<u>\$ -</u>	<u>\$118,930</u>	<u>\$50,276</u>	<u>\$169,206</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).

continued

IMAGINE LOS ANGELES, INC.
dba IMAGINE LA
and FAMILY INSPIRATION HOUSING, LLC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Commitments and Contingencies

Obligations Under Operating Leases

Imagine LA leases facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with an initial or remaining term of one year or more, consist of the following:

<u>Year ending December 31,</u>	
2022	\$83,995
2023	986
2024	<u>164</u>
	<u>\$85,145</u>

Rental expense under operating leases for the year ended December 31, 2021 was \$74,270.

Contingencies

COVID-19

The primary financial impact of the COVID-19 pandemic on Imagine LA was the loss of special event revenue. Imagine LA cancelled its annual “Imagine Ball”. Imagine LA’s event revenue was made up by increased fundraising and the receipt of PPP funds (see Note 7). The continued long-term, financial impact of the COVID-19 virus on Imagine LA cannot be foreseen at this time and is not reflected in these consolidated financial statements.

PPP Loan

In June 2021, Imagine LA was notified by its SBA PPP loan servicer that its first PPP loan of \$166,500 was forgiven. The SBA reserves the right to review any loan at their discretion and the SBA will review any loan over \$2 million. Areas of review include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

13. Subsequent Events

In January 2022, Imagine LA was notified by its SBA PPP loan servicer that its second PPP loan of \$180,000 was forgiven. Having met the grant conditions by expending the funds on qualifying expenses, Imagine LA recorded the revenue related to this funding as earned during the year ended December 31, 2021 (see Note 7).

Management has evaluated subsequent events through July 1, 2022, the date which the financial statements were available for issue. No events or transactions have occurred during this period, other than those noted above, that appear to require recognition or disclosure in the financial statements.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

	<u>Imagine Los Angeles, Inc. DBA Imagine LA</u>	<u>Family Inspiration Housing, LLC</u>	<u>Total</u>
ASSETS			
Cash	\$ 637,549	\$ 37,300	\$ 674,849
Accounts and grants receivable	439,150	1,635	440,785
Pledges receivable (Note 4)	50,276		50,276
Prepaid expenses	42,656	11,600	54,256
Property and equipment (Note 5)	32,560		32,560
TOTAL ASSETS	<u>\$ 1,202,191</u>	<u>\$ 50,535</u>	<u>\$ 1,252,726</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 26,252	\$ -	\$ 26,252
Accrued liabilities (Note 6)	110,139	12,088	122,227
Line of credit (Note 8)	-		-
TOTAL LIABILITIES	<u>136,391</u>	<u>12,088</u>	<u>148,479</u>
	-	-	-
NET ASSETS			
Without donor restrictions	505,710	38,447	544,157
With donor restrictions (Note 9)	560,090		560,090
TOTAL NET ASSETS	<u>1,065,800</u>	<u>38,447</u>	<u>1,104,247</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,202,191</u>	<u>\$ 50,535</u>	<u>\$ 1,252,726</u>

See independent auditors' report.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC**

CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2021

	Imagine Los Angeles, Inc. DBA Imagine LA		Family Inspiration Housing, LLC	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	
REVENUE AND SUPPORT				
Contributions and grants	\$ 872,013	\$ 786,033	\$ -	\$ 1,658,046
Contracts	467,450		168,308	635,758
Paycheck protection program (Note 7)	180,000			180,000
In-kind contributions (Note 10)	118,930			118,930
Other income	265		20,449	20,714
Special event				-
Nets assets released from restrictions (Note 9)	440,350	(440,350)		-
TOTAL REVENUE AND SUPPORT	<u>2,079,008</u>	<u>345,683</u>	<u>188,757</u>	<u>2,613,448</u>
EXPENSES				
Family partnership model	1,401,439		150,310	1,551,749
Management and general	287,138			287,138
Development	266,811			266,811
TOTAL EXPENSES	<u>1,955,388</u>	<u>-</u>	<u>150,310</u>	<u>2,105,698</u>
CHANGE IN NET ASSETS	123,620	345,683	38,447	507,750
NET ASSETS, BEGINNING OF YEAR	<u>382,090</u>	<u>214,407</u>	<u>-</u>	<u>596,497</u>
NET ASSETS, END OF YEAR	<u>\$ 505,710</u>	<u>\$ 560,090</u>	<u>\$ 38,447</u>	<u>\$ 1,104,247</u>

See independent auditors' report.