

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

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**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

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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, 2020, 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.

### 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, 2020, 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.

## INDEPENDENT AUDITORS' REPORT

continued

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### Other Matter

#### *Report on Summarized Comparative Information*

We have previously audited Imagine Los Angeles, Inc. dba Imagine LA's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Harrington Group*

Pasadena, California

April 19, 2021

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

STATEMENT OF FINANCIAL POSITION

December 31, 2020

With comparative totals at December 31, 2019

	2020	2019
<b>ASSETS</b>		
Cash	\$ 533,200	\$ 569,998
Accounts and grants receivable	69,837	92,429
Pledges receivable (Note 4)	42,821	11,000
Prepaid expenses	32,968	27,918
Property and equipment (Note 5)	52,759	73,631
<b>TOTAL ASSETS</b>	<b>\$ 731,585</b>	<b>\$ 774,976</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 42,561	\$ 28,981
Accrued liabilities (Note 6)	92,527	79,841
Line of credit (Note 8)	-	-
<b>TOTAL LIABILITIES</b>	<b>135,088</b>	<b>108,822</b>
<b>NET ASSETS</b>		
Without donor restrictions	382,090	306,752
With donor restrictions (Note 9)	214,407	359,402
<b>TOTAL NET ASSETS</b>	<b>596,497</b>	<b>666,154</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 731,585</b>	<b>\$ 774,976</b>

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

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

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2020  
With comparative totals for the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 476,331	\$ 529,028	\$ 1,005,359	\$ 789,912
Government contracts	645,373		645,373	590,815
In-kind contributions	117,922		117,922	157,402
Special event, net of expenses of \$3,601	16,899		16,899	203,828
Other income	3,412		3,412	289
Nets assets released from restrictions (Note 9)	674,023	(674,023)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>1,933,960</u>	<u>(144,995)</u>	<u>1,788,965</u>	<u>1,742,246</u>
<b>EXPENSES</b>				
Family mentorship	1,307,025		1,307,025	1,045,487
Management and general	345,522		345,522	303,042
Development	206,075		206,075	195,221
<b>TOTAL EXPENSES</b>	<u>1,858,622</u>	<u>-</u>	<u>1,858,622</u>	<u>1,543,750</u>
<b>CHANGE IN NET ASSETS</b>	75,338	(144,995)	(69,657)	198,496
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>306,752</u>	<u>359,402</u>	<u>666,154</u>	<u>467,658</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 382,090</u>	<u>\$ 214,407</u>	<u>\$ 596,497</u>	<u>\$ 666,154</u>

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

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

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	<u>Family Mentorship</u>	<u>Management and General</u>	<u>Development</u>	<u>2020</u>	<u>2019</u>
Salaries	\$ 645,113	\$ 103,998	\$ 85,552	\$ 834,663	\$ 835,224
Payroll taxes and benefits	143,240	23,092	18,996	185,328	165,550
Personnel costs	<u>788,353</u>	<u>127,090</u>	<u>104,548</u>	<u>1,019,991</u>	<u>1,000,774</u>
Professional/contractor services	75,068	56,169	64,241	195,478	108,336
Communications and outreach	51,160	113,447	18,183	182,790	40,273
Family direct expenses	152,849			152,849	16,525
In-kind expenses	97,273	20,649		117,922	157,402
Office rent and related expenses	73,049	10,819	9,148	93,016	75,516
Professional development	20,041	2,613	1,819	24,473	25,083
Depreciation and amortization expenses	16,254	2,458	2,160	20,872	20,351
Computer, equipment, and software	6,728	3,634	898	11,260	19,952
Telephone, internet, and website	6,710	965	1,237	8,912	11,671
Travel, mileage, and meetings	6,484	1,200	334	8,018	21,957
Information technology service	6,280	671	734	7,685	7,610
Insurance, tax, and license	4,453	2,646	583	7,682	10,432
Bank and finance charges	58	2,614	2,000	4,672	5,941
Office supplies	2,163	346	190	2,699	8,269
Other expenses	102	201		303	2,318
Postage and printing				-	7,295
Event expenses				-	2,838
Volunteer expenses				-	1,207
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<u><b>\$ 1,307,025</b></u>	<u><b>\$ 345,522</b></u>	<u><b>\$ 206,075</b></u>	<u><b>\$ 1,858,622</b></u>	
	70%	19%	11%	100%	
<b>TOTAL 2019 FUNCTIONAL EXPENSES</b>	<u><b>\$ 1,045,487</b></u>	<u><b>\$ 303,042</b></u>	<u><b>\$ 195,221</b></u>		<u><b>\$ 1,543,750</b></u>
	68%	20%	12%		100%

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

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

With comparative totals for the year ended December 31, 2019

	2020	2019
<b>CASH FLOWS (TO) FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (69,657)	\$ 198,496
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	20,872	20,351
(Increase) decrease in operating assets:		
Accounts and grants receivable	22,592	(33,919)
Pledges receivable	(31,821)	(8,950)
Prepaid expenses	(5,050)	(580)
Increase (decrease) in operating liabilities:		
Accounts payable	13,580	1,434
Accrued liabilities	12,686	15,542
	<b>(36,798)</b>	192,374
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS (TO) INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	-	(7,401)
	-	(7,401)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>		
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(36,798)</b>	184,973
<b>CASH, BEGINNING OF YEAR</b>	<b>569,998</b>	385,025
<b>CASH, END OF YEAR</b>	<b>\$ 533,200</b>	\$ 569,998

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



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

NOTES TO FINANCIAL STATEMENTS

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**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 believes that, while housing families is a critical first step, housing must be paired with equitable access to resources – including social capital – to ensure families have opportunities to avoid repeat homelessness and build a stable path out of poverty. Imagine LA has one program, the Family Partnership Model, designed to advance equity and break the cycle of intergenerational poverty, homelessness, and neglect. The model is a unique, whole-family approach that leverages a powerful combination of clinical case management, trained volunteer mentors from the community, and economic mobility pathways to build strong family stability, economic independence, and wellbeing.

**MODEL:** Imagine LA’s unique Family Partnership Model breaks the cycle of generational poverty and homelessness by providing families who have experienced homelessness (and are now in housing) with intensive case management, volunteer mentorship, economic mobility pathways, and links to resources. Whole-family, caring case management works to prevent first-time or repeat homelessness, and clear barriers to family goals, which set the stage for economic mobility programming and financial independence. All families gain access to financial wellness education, the Matched Savings program, and accessible links to living wage jobs with support securing childcare. Career pathways include healthcare, logistics, technology, and more. Mentors, for each member of the family over 5 years old, foster connectedness, mutual growth, and personal attention. Lives are transformed at every level. After graduation, families and mentors come back to inspire the next generation.

In 2019, Imagine LA launched a robust three-year strategic plan to reach more families with its impactful program while ensuring a deep and lasting impact on those we serve. Imagine LA’s strategic plan focuses squarely on continued growth, program enhancement, community engagement, and operational excellence. Imagine LA’s goal is to empower 250 families and engage 750 - 1,000 mentors annually by 2022.

In 2020, despite the unprecedented challenges of the year, Imagine LA successfully:

- Increased the number of families served by 54% - from 104 families to 165 families (616 unduplicated individuals).
- Pivoted online, grew its Family Emergency & Investment Fund from \$35,000 to provide over \$150,000 in direct assistance to help families maintain their homes and families succeed in remote online work and learning.
- Modularized its Family Partnership Model to provide more flexible services to help our families weather the pandemic.
- Launched Economic Mobility Pathways with living-wage career tracks, new processes to secure needed childcare, and our enhanced financial wellness curriculum.
- Developed COVID-19 Relief Homeless Prevention Services, first targeting alumni families, then partnering with landlords to help 45 severely COVID-19-impacted families stabilize.

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

NOTES TO FINANCIAL STATEMENTS

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**1. Organization, continued**

- Real estate developer Thomas Safran & Associates broke ground on Missouri Place Apartments – a beautiful 73-unit Permanent Supportive Housing and low-income complex for families in West LA, where Imagine LA will be the on-site service provider.
- Partnered with California Landmark Group to create Family Inspiration Housing, where we master lease low-income rental units for its families in new luxury housing developments.
- Partnered with the USC Price Center for Social Innovation on a groundbreaking research report on the “benefits cliffs” and poverty traps created by the social safety net.
- Completed a deep strategic rebranding and doubled down on their commitment to Equity, Diversity, and Inclusion.
- Maintained financial stability through continued diverse and strong funding sources (35% Foundations/Corporations, 36% Government, 20% Individual/Events, 9% In-kind) including maintaining Imagine LA’s cash reserves and its line of credit to cover over three months of operating expenses.

In 2020, Imagine LA also enhanced its model and strengthened its information systems to better track program and donor processes, and outcomes. In addition, Imagine LA increased its mentor recruiting capabilities by providing enhanced training to its Alumni Ambassador Corps via an innovative partnership with The Writers Guild Foundation. These activities served to strengthen Imagine LA’s capacity to continue to grow and scale its high impact Family Partnership Model.

**IMPACT:** In 2020, 100% 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. Over 90% of Imagine LA’s family members are receiving regular healthcare, and youth participants are progressing in reaching their developmental milestones, embracing school and extracurricular activities and, if applicable, pursuing post-secondary education.

Imagine LA continues to learn from its work and refine its model to better empower Imagine LA’s families with the skills they need to achieve financial stability. In 2021, Imagine LA will become the on-site service provider for the 73 families residing at Missouri Place; increase service to scattered site families; expand its homelessness prevention work; grow its Economic Mobility Pathways; execute a full organizational Equity, Diversity, and Inclusion audit and strategic plan; and develop a Strategic Plan for 2022-2025.

**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:

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

NOTES TO FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies, continued**

**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.

**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 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's accounts 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.

**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.

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

NOTES TO FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies, continued**

**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, 2020, Imagine LA received \$117,922 in donations of material or services that satisfy the criteria of recognition, \$58,957 and \$58,965 related to donations of goods and services, respectively (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 met.

A portion of Imagine LA's revenue is derived from state and local contracts, 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.

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 in 2019. The second payment 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). During the year ended December 31, 2020 (the second year), Imagine LA raised the required \$50,000, and therefore earned and recorded the \$50,000 in matched funding from the foundation. The third year's payment shall be made on the same basis as the second year's payment. Imagine LA will record the remaining \$50,000 when it satisfies the conditions (barriers) of the grant.

**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.

continued

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

NOTES TO FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies, continued**

**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. During the year ended December 31, 2020, Imagine LA incurred \$103,250 in costs associated with rebranding the organization. These significant one-time costs were allocated to management and general. As such, management and general expenses for the year ended December 31, 2020 were higher by these expected costs. A foundation grant was received by Imagine LA to offset these costs. Without these one-time costs, the percentage of program expense, management and general expense, and development to total expense for the year ended December 31, 2020 would have been 74%, 14% and 12%, respectively.

continued

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

NOTES TO FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies, continued**

**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, 2019, from which the summarized information was derived.

**Subsequent Events**

Management has evaluated subsequent events through April 19, 2021, 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.

**3. Liquidity and Availability of Resources**

The following reflects Imagine LA's financial assets as of December 31, 2020, 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	\$ 533,200
Accounts and pledges receivable	<u>112,658</u>
Total financial assets	645,858
Less: contractual or donor-imposed restrictions (by time or purpose)	<u>(214,407)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 431,451</u>

continued

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

NOTES TO FINANCIAL STATEMENTS

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**4. Pledges Receivable**

Pledges receivable of \$42,821 at December 31, 2020 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, 2020 consist of the following:

Furniture and equipment	\$ 73,766
Leasehold improvements - Granada	57,410
Website	12,259
Less: accumulated amortization	<u>(90,676)</u>
	<u>\$ 52,759</u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$20,872.

**6. Accrued Liabilities**

Accrued liabilities at December 31, 2020 consist of the following:

Accrued payroll	\$42,496
Accrued vacation	34,919
Other accrued liabilities	<u>15,112</u>
	<u>\$92,527</u>

**7. Paycheck Protection Program**

In April 2020, Imagine LA received a refundable government grant in the amount of \$166,500 under the 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.

continued

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

NOTES TO FINANCIAL STATEMENTS

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**7. Paycheck Protection Program**

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, 2020. The \$166,500 was included in the Statement of Activities as government contracts.

**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, 2020, there was no outstanding balance.

**9. Net Assets With Donor Restrictions**

Imagine LA's donor restricted net assets at December 31, 2020 are restricted for the following:

<u>Purpose</u>	
Regional Expansion Project	\$ 56,834
Prevention	30,000
Youth Mentorship	20,820
Family Inspiration Housing	19,760
Family Emergency and Investment	19,476
Family Empowerment and Mentorship	12,731
Community Engagement	7,288
Family Mentorship	2,580
Family Rent	<u>2,097</u>
	171,586
<u>Time</u>	
Pledges	<u>42,821</u>
	<u>\$214,407</u>

For the year ended December 31, 2020, net assets released from donor restrictions were \$674,023, of which \$663,023 was released from program restrictions and \$11,000 from time restrictions.

continued



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

NOTES TO FINANCIAL STATEMENTS

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**10. Fair Value Measurements**

The table below represents revenues measured at fair value on a non-recurring basis during the year ended December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services, materials, and mentors	\$ -	\$117,922	\$ -	<b>\$117,922</b>
Pledged contributions - new			<u>42,821</u>	<u>42,821</u>
Fair value at December 31, 2020	<u>\$ -</u>	<u>\$117,922</u>	<u>\$42,821</u>	<b><u>\$160,743</u></b>

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).

**11. Commitments and Contingencies**

**Commitments**

**Obligations Under Operating Leases**

Imagine LA leases various facilities 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>	
2021	\$ 75,348
2022	83,995
2023	986
2024	<u>164</u>
	<b><u>\$160,493</u></b>

Rental expense under operating leases for the twelve months ended December 31, 2020 was \$73,753.

**Contingencies**

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"). In addition, Imagine LA's families experienced a much higher need for direct family financial assistance dollars. Imagine LA's event revenue was made up by increased individual fundraising and the receipt of PPP funds (see Note 7). Ultimately, 2020 resulted in a small net loss, but still a strong cash position while serving 54% more families, than in 2019. The long-term, financial impact of the COVID-19 virus on Imagine LA cannot be foreseen at this time and is not reflected in these financial statements.