

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2022

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
(A California Non-Profit Corporation)
TABLE OF CONTENTS**

| | Page |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) | 4 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 7 |
| CONSOLIDATED STATEMENT OF ACTIVITIES | 8 |
| CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES | 9 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 10 |
| CONSOLIDATED NOTES TO FINANCIAL STATEMENTS | 11 |



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Imagine Los Angeles, Inc.
dba Imagine LA
and Family Inspiration Housing, LLC
(A California Non-Profit Corporation)
Los Angeles, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Imagine Los Angeles, Inc. dba Imagine LA and Family Inspiration Housing, LLC (A California Non-Profit Corporation), which comprise the consolidated statement of financial position as of December 31, 2022, 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 present fairly, in all material respects, the financial position of Imagine Los Angeles, Inc. dba Imagine LA and Family Inspiration Housing, LLC as of December 31, 2022, 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.

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 Auditors' 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 Family Inspiration Housing, LLC 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.

Adoption of Accounting Pronouncements

As described in Note 2 to the consolidated financial statements, Imagine Los Angeles, Inc. dba Imagine LA and Family Inspiration Housing, LLC has adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.

As described in Note 2 to the financial statements, Imagine Los Angeles, Inc. dba Imagine LA and Family Inspiration Housing, LLC has adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

INDEPENDENT AUDITORS' REPORT - Continued

Management's Responsibility 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 and Family Inspiration Housing, LLC's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 auditors 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.

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 and Family Inspiration Housing, LLC'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 and Family Inspiration Housing, LLC'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.

INDEPENDENT AUDITORS' REPORT - Continued

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management Discussion and Analysis is presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

Another auditor previously audited Imagine Los Angeles, Inc. dba Imagine LA and Family Inspiration Housing, LLC's 2021 consolidated financial statements and they expressed an unmodified audit opinion on those audited consolidated financial statements in their report dated July 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

The summary consolidated financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Imagine Los Angeles, Inc. dba Imagine LA and Family Inspiration Housing, LLC.

Vorlein, Hahn + Co.

Calabasas, California
July 7, 2023

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

Purpose

The purpose of this Management’s Discussion & Analysis is to introduce our financial statements and to provide an explanation of the variances from the previous year and the impact on the community.

Mission

Imagine LA’s mission is “Together with families, we transform lives by building relationships, wellbeing, and economic mobility”.

Guiding Principle

Imagine LA envisions a future where the generational cycles of family poverty and homelessness are a thing of the past.

Core Programming

MODEL: Imagine LA’s core program is the Family Partnership Model. Comprised of four 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:

- 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 case management to identify and help families achieve their goals and thrive;
- Economic Mobility Program through which families accelerate their work to break the cycle of family poverty through Imagine LA’s financial wellness programming, Living-Wage Career Pathways, navigating the social safety net, and connecting with affordable childcare solutions;
- Mentorship, through which each family member aged 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 individualized. 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
(A California Non-Profit Corporation)
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
(CONTINUED)

In 2022, despite the ongoing pandemic, the focused work of the staff and Board took Imagine LA to new levels of service, impact, and financial stability including:

- Increased the number of Los Angeles families Imagine LA serves by 32%, from 208 families in 2021 to 275 families in 2022. This increase had an impact on our family expenses and our personnel expenses.
- Continued the deep work around Equity, Diversity, and Inclusion with trainings, discussions, and created materials and resources as Imagine LA journeys towards operationalizing EDI internally as an organization and centering it in the work with its families.
- Partnered with Thomas Saffron & Associates (TSA) to open Missouri Place in West Los Angeles. Missouri Place has 73 units of Affordable Housing for families, 29 units of low-income housing and 44 units of Permanent Supportive Housing for families emerging from homelessness. Imagine LA has offices at Missouri Place and provides our Family Partnership Model onsite.
- Developed and began testing the Social Benefit Navigator, a unique online tool “App” designed to help individuals and family members identify and access public benefits and tax credits available to them as well as help calculate how any income changes will affect those benefits. This work impacted the professional services/contractor expenses. Note: In 2023 the Social Benefit Navigator and its related activities will become part of Social Benefit LLC, a new wholly owned subsidiary of Imagine LA.
- Expanded externally to provide Imagine LA’s Economic Mobility Program to 85 non-Imagine LA families its services (i.e., living-wage career pathways, access to viable childcare, financial fitness services, and navigation of the social safety net and tax credits). The 4 external partnering organizations are: Upward Bound House, The Whole Child, Children’s Institute, Inc., and Union Station Homeless Services.
- In November of 2022, Imagine LA completed the Family Inspiration Housing pilot program with California Landmark’s G8 Building. The Family Inspiration Housing program was created to partner with local developers to utilize affordable units to provide immediate tenant based Permanent Supportive Housing (PSH) for families with Imagine LA’s Family Partnership Model. This program had an impact on the contract revenue.
- Enjoyed coming together in-person to celebrate and support our families, staff, and our work. With 5 family fun and wellbeing events (with over 300 participants); Imagine Ball Gala (impacting the event revenue with an additional \$339,170); Donor Appreciation Dinner; and 9 staff engagement, training, and appreciation events.
- Maintained financial stability through continued diverse and strong funding sources (individuals and events, grants, and our DHS ICMS government contract) including growing Imagine LA’s cash reserves to cover over three months of operating expenses.
- Revenue increased significantly, primarily due to a \$1million (two-year grant of \$500,000 per year) grant from the Conrad N. Hilton Foundation to develop and pilot the Social Benefit Navigator.
- Our functional expenses were 71% Program, 17% Fundraising related and 12% Administrative.

**IMAGINE LOS ANGELES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(CONTINUED)**

IMPACT: In 2022, nearly all of our families maintained their housing (95%), and a majority of heads of household received a wellness exam (76%), and kept their children enrolled in school (100%). In addition,

- 37 families emerging from the pandemic engaged in our Economic Mobility Program, as demonstrated by enrolling in Financial Fitness, obtaining childcare, and starting a new job or training program via our Living-Wage Career Pathways;
- Our mentorship program experienced a steep decline in interest due to the Pandemic, as families shied away from virtual meetings. By the end of the year, however, as we slowly began re-engaging in in-person activities, seventeen mentor-mentee matches were formed. We anticipate even greater interest in mentorship in 2023.

In 2022 we began testing the Social Benefit Navigator. In 2023 we will fully integrate the Navigator into the Family Partnership model as well as pilot and evaluate its impact with other NGOs.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

| | 2022 | 2021 |
|---|--------------|--------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,300,402 | \$ 674,849 |
| Accounts and grants receivable | 593,029 | 440,785 |
| Promises to give | 36,487 | 50,276 |
| Deposits and prepaid expenses | 35,642 | 54,256 |
| Property and equipment, net | 18,982 | 32,560 |
| Total assets | \$ 1,984,542 | \$ 1,252,726 |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 64,614 | \$ 57,932 |
| Accrued payroll and related liabilities | 126,083 | 90,546 |
| Total liabilities | 190,697 | 148,478 |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Without donor restrictions | 751,594 | 544,158 |
| With donor restrictions | 1,042,251 | 560,090 |
| Total net assets | 1,793,845 | 1,104,248 |
| Total liabilities and net assets | \$ 1,984,542 | \$ 1,252,726 |

See accompanying auditors' report and notes to consolidated financial statements.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

| | 2022 | | | 2021 |
|--|-------------------------------|----------------------------|-------------------------|-------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| REVENUE, SUPPORT AND RESTRICTIONS RELEASED | | | | |
| Contributions and grants | \$ 834,647 | \$ 1,524,721 | \$ 2,359,368 | \$ 1,679,546 |
| Contract revenue | 904,543 | - | 904,543 | 635,758 |
| In-kind contributions | 148,005 | - | 148,005 | 118,930 |
| Forgiveness of Paycheck Protection Program loan | - | - | - | 180,000 |
| Interest income | 42 | - | 42 | 265 |
| Realized gain (loss) on investments | (2,957) | - | (2,957) | - |
| Other income | 31,574 | - | 31,574 | 20,449 |
| Special events | 373,631 | 13,500 | 387,131 | (21,500) |
| Restrictions released | <u>1,056,060</u> | <u>(1,056,060)</u> | <u>-</u> | <u>-</u> |
| Total revenue, support and restrictions released | 3,345,545 | 482,161 | 3,827,706 | 2,613,448 |
| EXPENSES | | | | |
| Family partnership model (program services) | 2,237,995 | - | 2,237,995 | 1,551,749 |
| Support services | 385,065 | - | 385,065 | 287,138 |
| Fundraising | <u>515,049</u> | <u>-</u> | <u>515,049</u> | <u>266,811</u> |
| Total expenses | <u>3,138,109</u> | <u>-</u> | <u>3,138,109</u> | <u>2,105,698</u> |
| CHANGE IN NET ASSETS | 207,436 | 482,161 | 689,597 | 507,750 |
| NET ASSETS - beginning of year | <u>544,158</u> | <u>560,090</u> | <u>1,104,248</u> | <u>596,498</u> |
| NET ASSETS - end of year | <u>\$ 751,594</u> | <u>\$ 1,042,251</u> | <u>\$ 1,793,845</u> | <u>\$ 1,104,248</u> |

See accompanying auditors' report and notes to consolidated financial statements.

IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

| | Family Partnership Model (Program Services) | Support Services | Fund- Raising | 2022 Total Expenses | 2021 Total Expenses |
|--------------------------------------|--|---------------------|-------------------|---------------------------|---------------------------|
| Salaries and related expenses | | | | | |
| Salaries and wages | \$ 959,183 | \$ 228,671 | \$ 235,084 | \$ 1,422,938 | \$ 1,000,841 |
| Payroll taxes | 75,893 | 17,977 | 18,577 | 112,447 | 85,173 |
| Employee benefits | <u>103,750</u> | <u>22,047</u> | <u>24,163</u> | <u>149,960</u> | <u>124,832</u> |
| | 1,138,826 | 268,695 | 277,824 | 1,685,345 | 1,210,846 |
| Other expenses | | | | | |
| Bank and finance charges | - | 691 | 6,290 | 6,981 | 5,817 |
| Communications and outreach | 59,511 | - | 2,333 | 61,844 | 58,547 |
| Computer, equipment, and software | 45,205 | 5,682 | 6,045 | 56,932 | 35,172 |
| Event expenses | 25,141 | - | 103,525 | 128,666 | 49,027 |
| Family direct expenses | 169,483 | - | - | 169,483 | 182,567 |
| Grants to other organizations | 100,000 | - | - | 100,000 | - |
| In-kind, goods and services | 42,278 | - | - | 42,278 | 54,661 |
| In-kind, volunteer services | 105,727 | - | - | 105,727 | 64,269 |
| Information technology service | 6,547 | 1,469 | 1,532 | 9,548 | 8,714 |
| Insurance, taxes, and licenses | 6,074 | 1,431 | 1,221 | 8,726 | 7,732 |
| Office expenses | 10,867 | 2,472 | 2,676 | 16,015 | 15,031 |
| Office rent and related expenses | 71,112 | 15,643 | 16,528 | 103,283 | 89,104 |
| Other costs | 301 | - | - | 301 | - |
| Professional/contractor services | 369,655 | 74,597 | 87,917 | 532,169 | 262,214 |
| Professional development | 69,369 | 4,058 | 5,294 | 78,721 | 38,399 |
| Travel, mileage, and meetings | <u>8,724</u> | <u>8,162</u> | <u>1,626</u> | <u>18,512</u> | <u>3,399</u> |
| | 2,228,820 | 382,900 | 512,811 | 3,124,531 | 2,085,499 |
| Depreciation | <u>9,175</u> | <u>2,165</u> | <u>2,238</u> | <u>13,578</u> | <u>20,199</u> |
| Total expenses | <u>\$ 2,237,995</u> | <u>\$ 385,065</u> | <u>\$ 515,049</u> | <u>\$ 3,138,109</u> | <u>\$ 2,105,698</u> |

See accompanying auditors' report and notes to consolidated financial statements.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 689,597 | \$ 507,750 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 13,578 | 20,199 |
| (Increase) decrease in: | | |
| Accounts and grants receivable | (152,244) | (370,948) |
| Promises to give | 13,789 | (7,455) |
| Deposits and prepaid expenses | 18,614 | (21,288) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 6,682 | (16,309) |
| Accrued payroll and related liabilities | <u>35,537</u> | <u>29,700</u> |
| Total adjustments | <u>(64,044)</u> | <u>(366,101)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>625,553</u> | <u>141,649</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 625,553 | 141,649 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>674,849</u> | <u>533,200</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 1,300,402</u> | <u>\$ 674,849</u> |
| Supplemental disclosure of non-cash activities: | | |
| Forgiveness of Paycheck Protection Program loan | <u>\$ -</u> | <u>\$ 180,000</u> |

See accompanying auditors' report and notes to consolidated financial statements.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. NATURE OF 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 17 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 intensive case management, trained volunteer mentors from the community, and financial wellness pathways to build strong family stability, economic independence, and wellbeing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Imagine LA and FIH, LLC prepares its consolidated financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Foundation are described below to enhance the usefulness and understandability of the consolidated financial statements.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts and transactions of Imagine Los Angeles, Inc. dba Imagine LA and Family Inspiration Housing, LLC (to be collectively referred to as Imagine LA). All inter-entity accounts and transactions have been eliminated in consolidation.

Net Assets

The consolidated financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets (Continued)

- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The organization's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Accounts and Grants Receivables

Accounts and grants receivables consist primarily of earned receivables from partners and are stated at the amount management expects to collect. Imagine LA uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all accounts and grants receivables were collectible at year-end; therefore no allowance for doubtful receivables has been recorded.

IMAGINE LOS ANGELES, INC.
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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Promises to Give

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.

Deposits and Prepaid Expenses

Prepaid deposits, insurance and other costs are expensed ratably over their respective terms of agreement.

Investments

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are carried at their fair market values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets without donor restrictions in the accompanying consolidated statement of activities.

Property and Equipment, Net

Property and equipment are reported in the consolidated statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

| | |
|-------------------------|--|
| Furniture and equipment | 5 - 10 years |
| Leasehold improvements | 6 years, or remaining lease term, if shorter |
| Software | 6 years |

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the consolidated financial statements in the current period.

IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

Vacation accrues on a bi-weekly basis during periods of active employment, and accrual begins at hire. Time accrued becomes available for use after an employee's first 90 days of employment. Regular, full-time employees accrue a base of 10 vacation days per year.

Regular, part-time employees are eligible to earn vacation pay based on the following pro-rated schedule:

| <u>Hours Worked per Week</u> | <u>Accrual Basis</u> |
|------------------------------|--------------------------|
| 20 – 29 hours | 50% of full-time benefit |
| 30 – 39 hours | 75% of full-time benefit |

Regular full-time employees will be given nine (9) days per year to be used for sick leave and (2) days per year to be used for floating holiday leave.

Unused vacation is paid at the time of termination. Total accrued liability for vacation at December 31, 2022, was \$56,305.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor-restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Revenue Recognition

Revenues from government agencies, program service fees, and other third-party payors for services provided under such contracts are recognized when earned by Imagine LA. All gifts, bequests, and other public support are included in net asset without donor restrictions unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities in Deferred Revenue.

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.

Income Taxes

Imagine LA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Imagine LA has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the consolidated financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended December 31, 2022, Imagine LA had no material unrecognized tax benefits, tax penalties or interest.

Imagine LA's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended December 31, 2021, 2020, and 2019, are subject to examination by the IRS, generally for 3 years after they were filed.

Imagine LA's Forms 199, *California Exempt Organization Return*, for each of the tax years ended December 31, 2021, 2020, 2019, and 2018, are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Adopted Accounting Pronouncements

ASU 2020-07

In September 2020, the FASB amended guidance regarding the way nonprofit organizations report nonfinancial assets, including donated goods and rent, in-kind professional services, etc. The amendment requires contributed nonfinancial assets to be presented separately from cash and other financial assets on the statement of activities, and the footnote disclosure must include a dis-aggregation by type, donor restrictions, if applicable, and other details about the nature and valuation of the nonfinancial assets received. The new standard is effective for fiscal years beginning after June 15, 2021, and could have an impact on Imagine LA's reporting of contributed nonfinancial assets. During the year ended December 31, 2022 Imagine LA adopted Accounting Standards Update, ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

ASU 2016-02

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new standard is effective for fiscal years beginning after December 15, 2021, and could have an impact on Imagine LA's reporting of leases. During the year ended December 31, 2022, Imagine LA adopted Accounting Standards Update, ASU 2016-02, *Leases (Topic 842)*.

Imagine LA recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. Imagine LA is a lessee in a noncancellable operating lease, for office equipment. Imagine LA determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Imagine LA recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise Imagine LA uses its incremental borrowing rate if applicable or relative treasury bill rate. Since Imagine LA does not have any borrowing debt and therefore, does not have any incremental borrowing rate, as such, the relative treasury bill rate is used for all leases. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Imagine LA has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that Imagine LA is reasonable certain to exercise. Imagine LA recognizes lease cost associated with our short-term leases on a straight-line basis over the lease term.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Expense Recognition and Allocation

The cost of providing Imagine LA’s programs and other activities is summarized on a functional basis in the Consolidated Statement of Functional Expenses. 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 (period). Imagine LA uses salary dollars to allocate indirect costs.

Support services include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Imagine LA. Fundraising costs are expensed as incurred.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the consolidated financial statements. On an ongoing basis, Imagine LA’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Imagine LA’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2021 comparative totals have been reclassified to conform with the 2022 reporting format.

Comparative Totals

The consolidated financial statements include certain prior-year summarized comparative information. 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, 2021, from which the summarized information was derived.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

The Foundation reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Imagine LA has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and receivables approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities approximate fair value because of the relatively short maturity of these financial instruments.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31, 2022:

| | Amount |
|-----------------------------|------------------|
| Furniture and fixtures | \$ 73,766 |
| Leasehold improvements | 57,410 |
| Website | <u>12,259</u> |
| | 143,435 |
| Accumulated depreciation | <u>(124,453)</u> |
| Property and equipment, net | <u>\$ 18,982</u> |

Depreciation expense totaled \$13,578 for the year ended December 31, 2022.

4. 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, 2022, there was no outstanding balance.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022, consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

| Purpose | Balance at 12/31/21 | Income | Expenditures | Balance at 12/31/22 |
|-------------------------------|------------------------|---------------------|-----------------------|------------------------|
| Community engagement | \$ 40,000 | \$ - | \$ (40,000) | \$ - |
| Database/marketing collateral | 62,500 | - | (62,500) | - |
| Economic mobility | 217,554 | 18,400 | (224,243) | 11,711 |
| Equity, Diversity & Inclusion | - | 80,000 | (75,224) | 4,776 |
| Family Partnership Model | - | 53,200 | (15,000) | 38,200 |
| Mentorship | - | 41,400 | (12,850) | 28,550 |
| Promises to give | 225,276 | 61,793 | (237,776) | 49,293 |
| Social Benefit Navigator | <u>14,760</u> | <u>1,283,428</u> | <u>(388,467)</u> | <u>909,721</u> |
| Total donor restrictions | <u>\$ 560,090</u> | <u>\$ 1,538,221</u> | <u>\$ (1,056,060)</u> | <u>\$1,042,251</u> |

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

6. OPERATING LEASE COMMITMENTS

Imagine LA leases facilities and equipment under operating leases with various terms through February 2024. The office lease has monthly rent payments of \$7,301, expires June 30, 2023 and will not be renewed. Imagine LA is currently looking into new office space. The equipment lease has monthly payments of \$82 and expires in February 2024.

Future minimum payments for the leased equipment are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|-----------------|
| 2023 | \$ 986 |
| 2024 | <u>164</u> |
| Total | <u>\$ 1,150</u> |

7. CONTRIBUTORY RETIREMENT PLAN

Imagine LA maintains a contributory retirement plan available to eligible employees which allows participants to make tax deferred investment contributions. Eligible employees include those individuals who have worked for Imagine LA for at least one year. Imagine LA contributed \$9,416 for the year ended December 31, 2022.

8. IN-KIND CONTRIBUTIONS

Natural classifications of in-kind expenses for the year ended December 31, 2022 are as follows:

| | <u>Amount</u> |
|--------------------|-------------------|
| Goods and supplies | \$ 42,278 |
| Volunteer services | <u>105,727</u> |
| Total | <u>\$ 148,005</u> |

Valuation Techniques & Inputs

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased by Imagine LA if not provided by donation.

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

8. IN-KIND CONTRIBUTIONS - Continued

In-Kind Services

During the fiscal year December 31, 2022, Imagine LA benefited from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's program operations. Such services are valued and reported at the estimated fair value in the financial statements based on current mid salary rates for similar services.

Donor Restrictions

There were no donor restrictions on any in-kind contributions received during the year ended December 31, 2022.

Monetization of In-Kind Contributions

Imagine LA does not sell donated in-kind contributions and only distributes goods or uses the services for program use.

9. FUNDRAISING AND SPECIAL EVENTS

Imagine LA conducted fundraising activities during the year. The revenue and expenses from special events for the year ended December 31, 2022 were as follows:

| | <u>Revenue</u> | <u>Expenditures</u> | <u>Amount</u> |
|---------------------|-------------------|---------------------|-------------------|
| Imagine Ball | <u>\$ 387,131</u> | <u>\$ (47,961)</u> | <u>\$ 339,170</u> |
| Special Events, net | <u>\$ 387,131</u> | <u>\$ (47,961)</u> | <u>\$ 339,170</u> |

**IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

10. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by Imagine LA at December 31, 2022 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

| | December 31, 2022 |
|---|----------------------|
| | |
| Financial assets, at year end: | |
| Cash and cash equivalents | \$ 1,300,402 |
| Accounts and grants receivable | 593,029 |
| Promises to give | 36,487 |
| Total financial assets | 1,929,918 |
| Less those unavailable for general expenditures within one year, due to: | |
| Contractual or donor-imposed restrictions: | |
| Restricted by donors with time or purpose restrictions | (1,042,251) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 887,667 |

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 4, 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.

11. CONCENTRATION RISK

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.

IMAGINE LOS ANGELES, INC.
DBA IMAGINE LA
AND FAMILY INSPIRATION HOUSING, LLC
(A California Non-Profit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

12. CONTINGENCIES

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

13. SUBSEQUENT EVENTS

Imagine LA has evaluated events subsequent to December 31, 2022, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through July 7, 2023, the date the consolidated financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the consolidated financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the consolidated financial statements.