

**LOS ANGELES GRAND AVENUE AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**June 30, 2014 and 2013**

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**June 30, 2014 and 2013**

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**Independent Auditor's Report**

To the Honorable Board of Directors  
Los Angeles Grand Avenue Authority  
Los Angeles, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Los Angeles Grand Avenue Authority (Authority), as of and for the fiscal years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2014 and 2013, and the changes in financial position and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As discussed in Note 2 of the notes to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 and 4, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 audit 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
February 10, 2015

**LOS ANGELES GRAND AVENUE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and 2013**

The Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles Grand Avenue Authority (the Authority) provides a narrative overview of the Authority's financial activities for the fiscal years ended June 30, 2014 and June 30, 2013. Please read it in conjunction with the accompanying financial statements, footnotes, and supplementary information. Amounts contained in this discussion have been rounded to facilitate their readability.

**Financial Highlights**

- During the fiscal year ended June 30, 2013, the Authority's net position decreased by \$8.38 million to \$6.29 million. Cash deposited in the County Treasury Pool decreased by \$15.44 million to \$0.70 million.
- During the fiscal year ended June 30, 2014, the Authority's net position increased by \$0.58 million to \$6.87 million. Cash deposited in the County Treasury Pool increased by \$0.25 million to \$0.95 million.
- The main activity of the Authority since inception has been the development and construction of Grand Park. The Park was completed in FY 2012-13 and the Authority has begun to work with the developer to develop Parcel M and making plans for the development of Parcel Q.
- The Authority has no capital assets.
- The Authority has no long-term debt.

**Overview of Financial Statements**

This MD&A serves as an introduction to the Authority's basic financial statements. The basic financial statements include five components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses and Changes in Net Position; 3) Statement of Cash Flows; 4) Notes to the Financial Statements, and 5) Supplemental information.

- The Statement of Net Position presents all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the Authority is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year. All changes in net position (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g. accrued but unpaid contract and professional service fees).
- The Statement of Cash Flows presents information regarding the Authority's use of cash during the fiscal year and is an indicator of whether or not sufficient cash flow is being generated during the fiscal year to meet the operating needs of the Authority.

**LOS ANGELES GRAND AVENUE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014 and 2013  
(Continued)**

- The notes provide additional information that is essential for a full understanding of the data provided in the financial statements.
- The supplemental information includes schedules in the format of the basic financial statements, showing the activity for each fund.

**Financial Statement Analysis**

The Los Angeles Grand Avenue Authority was established between the County of Los Angeles (County) and the Community Redevelopment Agency of the City of Los Angeles (CRA), now named the CRA/LA, a designated local Authority, to provide for the development of certain properties owned by the County and the CRA located in the vicinity of Grand Avenue in downtown Los Angeles. The main focus of the Authority since inception has been the development and construction of Grand Park which was completed in FY 2012-13. The Authority is now working on the development of other parcels within the Grand Avenue corridor. Operating revenues have consisted primarily of contributions from the CRA for a loan to the developer to develop low income housing on Parcel M. Operating expenses have consisted primarily of contract and professional service fees, as well as a grant to the developer for land previously owned by the CRA.

As of June 30, 2013, the Authority's Net Position was \$6.20 million compared to \$14.67 million as of June 30, 2012. As of June 30, 2014, the Authority's Net Position was \$6.62 million compared to \$6.20 million as of June 30, 2013. Liabilities as of June 30, 2013 were \$0.13 million compared to \$1.48 million as of June 30, 2012. Liabilities as of June 30, 2014 were \$0.06 million compared to \$0.13 million as of June 30, 2013.

**Capital Assets**

As of June 30, 2014, the Authority had no capital assets.

**Economic Factors**

- In December 2012, construction of Parcel M began. Parcel M (The Emerson) was completed in September 2014 with final certificate of occupancy in January 2015.
- In March 2012, construction on Parcel L began. Parcel L (The Broad Museum) is expected to be completed in September 2015.
- In July 2014, the Authority Board approved the revised Scope of Development for Parcel Q. Construction is planned to begin at the end of 2016.
- The scope of development for Parcel W-2 is still pending.

**Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the County of Los Angeles, Department of Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**Statement of Net Position**  
**As of June 30, 2014 and 2013**

	<u>FY 2014</u>	<u>FY 2013</u>
<b>Assets</b>		
Cash deposited with County Treasurer (Note 3)	\$ 946,185	\$ 701,473
Receivables:		
Accounts receivable	100,000	
Accrued Interest	255,745	85,984
Loan	<u>5,626,000</u>	<u>5,626,000</u>
<b>Total Assets</b>	<u>6,927,930</u>	<u>6,413,457</u>
 <b>Liabilities</b>		
Accounts payable	<u>57,740</u>	<u>126,343</u>
<b>Total Liabilities</b>	<u>57,740</u>	<u>126,343</u>
 <b>Net Position</b>		
Restricted for projects (Note 4)	<u>6,870,190</u>	<u>6,287,114</u>
<b>Total Net Position</b>	<u>\$ 6,870,190</u>	<u>\$ 6,287,114</u>

See accompanying notes to basic financial statements

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

	<u>FY 2014</u>	<u>FY 2013</u>
<b>Operating Revenues:</b>		
Other services - Fund Transfer to Civic	\$	\$ 125,891
Miscellaneous - reimbursement of expense	179,346	
Miscellaneous	<u>619,000</u>	<u>5,826,000</u>
<b>Total Operating Revenues</b>	<u>798,346</u>	<u>5,951,891</u>
 <b>Operating Expenses:</b>		
Contract and professional service fees	389,623	6,450,204
Grants		7,861,485
County - management fees		160,588
Utilities, supplies, and other charges		<u>75</u>
<b>Total Operating Expenses</b>	<u>389,623</u>	<u>14,472,352</u>
 <b>Operating Income (Loss)</b>	408,723	(8,520,461)
 <b>Non-Operating Revenues:</b>		
Interest on deposited funds	<u>174,353</u>	<u>136,339</u>
 <b>Change in Net Position</b>	583,076	(8,384,122)
 <b>Net Position, beginning of the fiscal year</b>	<u>6,287,114</u>	<u>14,671,236</u>
 <b>Net Position, end of the fiscal year</b>	<u>\$ 6,870,190</u>	<u>\$ 6,287,114</u>

See accompanying notes to basic financial statements



**LOS ANGELES GRAND AVENUE AUTHORITY**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

	FY 2014	FY 2013
<b>Cash Flows from Operating Activities:</b>		
Cash received from other governmental agencies	\$ 698,346	\$ 5,626,000
Cash received from contractors		325,891
Cash paid to suppliers for goods and services	(458,226)	(15,828,217)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>240,120</b>	<b>(9,876,326)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	4,592	66,179
Disbursements for loans receivable		(5,626,000)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>4,592</b>	<b>(5,559,821)</b>
<b>Net Increase/(Decrease) in Cash</b>	244,712	(15,436,147)
<b>Cash Deposited with County Treasurer, Beginning of Fiscal Year</b>	<b>701,473</b>	<b>16,137,620</b>
<b>Cash Deposited with County Treasurer, End of Fiscal Year</b>	<b>\$ 946,185</b>	<b>\$ 701,473</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 408,723	\$ (8,520,461)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(100,000)	
Increase (decrease) in accounts payable	(68,603)	(1,335,040)
Increase (decrease) in due to County of Los Angeles		(20,825)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 240,120</b>	<b>\$ (9,876,326)</b>

See accompanying notes to basic financial statements

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Los Angeles Grand Avenue Authority (Authority), a separate public entity, was formed on September 2, 2003, as a joint powers authority by the County of Los Angeles (County) and the Community Redevelopment Agency of the City of Los Angeles (CRA), now named the CRA/LA, a designated local Authority. The Authority was established for the purpose of coordinating the development of certain properties owned by the County and the CRA located in the vicinity of Grand Avenue in downtown Los Angeles.

The Authority is governed by a Board of Directors composed of five directors: the County Supervisor for the First District where the properties are located, the County's Chief Executive Officer; the Councilperson for the City Council District where the CRA properties are located, the Administrator from the CRA/LA, and one Governor-appointed person to serve as a non-voting Director.

The Authority is legally separate and fiscally independent from each of the member entities. This means it can make and enter into contracts, land lease or sales agreements, employ agents and employees, take all actions necessary for the development of the properties, issue requests for qualifications and/or proposals, and evaluate developer responses.

The accompanying financial statements reflect the financial activities of the Authority. The Authority has no component units.

**B. Significant Accounting Policies**

The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting and Measurement Focus

The Authority is accounted for as enterprise funds (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**B. Significant Accounting Policies (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenue of the Authority is contributions from developers. Operating expenses include the administrative expenses and contract and professional services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, the Authority applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

The following are descriptions of the Authority's funds:

- The **Los Angeles Grand Avenue Authority Fund** is the government's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.
- **The Phase II Affordable Housing Fund** is used to deposit funds related to the Phase II Affordable Housing project.
- **The Phase IIB Affordable Housing Parcel M Fund** is used to hold the deposits by CRA.

The Authority's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities and Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflow of resources, and net position in a statement of financial position. The net position is required to classify into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**B. Significant Accounting Policies (Continued)**

**Net investment in capital assets** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted net position** – This component of net position represents restricted assets net of liabilities that relate to those specific restricted assets. A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws, or regulations of other governments, or as a consequence of a restriction established by the reporting government's own governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be narrower than the general purposes for which the reporting government can use its resources.

**Unrestricted net position** – This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**C. Revenue**

The Authority's major source of revenue is contributions from developers and interest on deposited funds.

**D. Capital Assets**

Capital assets, which include land and buildings and improvements, would be reported in the statements of net position. Capital assets will be recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets will be recorded at estimated fair value at the date of donation. As of June 30, 2014 and 2013, the Authority did not have any capital assets.

**E. Estimates**

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

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**F. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

**NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS**

The Authority has implemented the requirements of GASB Statement No. 60, No. 61, No. 62, No. 63, No. 65, No. 66, No. 67, and No. 70 during the fiscal years ended June 30, 2014 and 2013.

**Governmental Accounting Standards Board Statement No. 60**

For the fiscal year ending June 30, 2013, the Authority implemented GASB Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements.*" This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of the GASB Statement No. 60 did not have an impact on the Authority's financial statements.

**Governmental Accounting Standards Board Statement No. 61**

For the fiscal year ending June 30, 2013, the Authority implemented GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus.*" This Statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. This Statement modifies certain requirements for inclusion of component units in financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61 did not have an impact on the Authority's financial statements.

**Governmental Accounting Standards Board Statement No. 62**

For the fiscal year ending June 30, 2013, the Authority implemented GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*" This Statement is effective for periods after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. See Note 1B for the impact on the Authority's financial statements.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

**Governmental Accounting Standards Board Statement No. 63**

For the fiscal year ending June 30, 2013, the Authority implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the Authority's financial statements are explained in Note 1 B Significant Accounting Policies.

**Governmental Accounting Standards Board Statement No. 65**

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did not have an impact on the Authority's financial statements.

**Governmental Accounting Standards Board Statement No. 66**

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the Authority's financial statements.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

**Governmental Accounting Standards Board Statement No. 67**

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the Authority's financial statements.

**Governmental Accounting Standards Board Statement No. 70**

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the Authority's financial statements.

**NOTE 3 CASH ON DEPOSIT WITH COUNTY TREASURER**

In accordance with the California Government Code, cash balances of the Authority are deposited with and pooled and invested by the Los Angeles County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily balance during the allocation period.

Statutes authorize the County of Los Angeles to invest pooled investments in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposits, floating rate notes, repurchase agreements, and reverse repurchase agreements.

See the County of Los Angeles' Comprehensive Annual Financial Report for disclosures related to cash and investments and the related interest rate risk, credit rate risk, custodial risk, and concentration risk.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 3 CASH ON DEPOSIT WITH COUNTY TREASURER (Continued)**

Funds deposited in the Los Angeles County Treasury Pool amounted to \$946,185 as of June 30, 2014 and \$701,473 as of June 30, 2013. These amounts represent less than 0.1% of the total balance of the Los Angeles County Treasury Pool.

**NOTE 4 NET POSITION**

Net position at June 30, 2014, consisted of the following:

Restricted for projects	<u>\$ 6,617,020</u>
Total Net Position	<u><u>\$ 6,617,020</u></u>

Net position at June 30, 2013, consisted of the following:

Restricted for projects	<u>\$ 6,202,724</u>
Total Net Position	<u><u>\$ 6,202,724</u></u>

**NOTE 5 LOAN RECEIVABLE**

On December 12, 2012, the Authority loaned \$5,626,000 to Grand Avenue M Housing Partners, LLC as part of the financing for an affordable housing development to be constructed at 237 South Grand Avenue, in relation to the Bunker Hill Redevelopment Project. The term of the loan is 55 years, commencing December 12, 2012. The outstanding balance of the loan, including principal and interest, shall be due and payable in full upon the first to occur of the following: (a) the occurrence of a transfer (other than a permitted transfer) without the prior written consent of the Authority, which shall be granted or denied in the sole and absolute discretion of the Authority; (b) an uncured Event of Default by the Borrower; or (c) expiration of the term of the loan. Interest on the loan is 3% per annum, simple interest on the principal amount.

The loan is secured by a deed of trust, which is subordinated to any senior loan approved by the Authority and any deed of trust in favor of an senior lender in connection therewith, any security instrument securing the letter of credit, and any regulatory agreement to be recorded in connection with financing the project and/or low income housing tax credits. The loan is senior to the \$7.7 million loan that Grand Avenue M Housing Partners, LLC has outstanding with Urban Funding, Inc.

The loan shall be repaid from annual payments equal to the Authority's share of residual receipts, if any. The Authority's share of residual receipts shall be equal to fifty percent (50%) of residual receipts.

The outstanding balance of the loan was \$5,626,000 at June 30, 2014 and June 30, 2013. As of June 30, 2014 and June 30, 2013 there was accrued interest of \$168,780 and \$84,390 on the loan, respectively.



**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

On March 5, 2007, the Authority entered into a Disposition and Development Agreement (DDA) with the Grand Avenue LA, LLC (GALA) (the Developer) to fulfill the purposes of the Joint Powers Agreement, dated as of September 2, 2003 by and between the County of Los Angeles (the "County") and The Community Redevelopment Agency of the City of Los Angeles, California (the "CRA"), to cause the development of certain real property adjacent to the Los Angeles downtown Civic Center and Music Center with retail, hotel, office, and housing (including affordable housing), all with an estimated development potential of approximately 3,200,000 square feet, together with destination urban park uses and remaking of Grand Avenue into active and inviting pedestrian uses.

**NOTE 7 MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, the Authority management has reviewed all known events that have occurred after June 30, 2014, and through February 10, 2015, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**Combining Statement of Net Position**  
**June 30, 2014**

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Total
<b>Assets</b>				
Cash deposited with County Treasurer	\$ 544,602	\$ 21,097	\$ 380,486	\$ 946,185
Receivables:				
Accounts receivable	100,000			100,000
Accrued Interest	1,456	60	254,229	255,745
Loan			5,626,000	5,626,000
<b>Total Assets</b>	<u>646,058</u>	<u>21,157</u>	<u>6,260,715</u>	<u>6,927,930</u>
<b>Liabilities</b>				
Accounts payable	<u>57,740</u>			<u>57,740</u>
<b>Total Liabilities</b>	<u>57,740</u>			<u>57,740</u>
<b>Net Position</b>				
Restricted for projects	<u>588,318</u>	<u>21,157</u>	<u>6,260,715</u>	<u>6,870,190</u>
<b>Total Net Position</b>	<u>\$ 588,318</u>	<u>\$ 21,157</u>	<u>\$ 6,260,715</u>	<u>\$ 6,870,190</u>

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2014**

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Total
<b>Operating Revenues:</b>				
Miscellaneous - reimbursement of expense	\$ 179,346	\$	\$	\$ 179,346
Miscellaneous	250,000		369,000	619,000
<b>Total Operating Revenues</b>	<u>429,346</u>		<u>369,000</u>	<u>798,346</u>
<b>Operating Expenses:</b>				
Contract and professional service fees	389,623			389,623
<b>Total Operating Expenses</b>	<u>389,623</u>			<u>389,623</u>
<b>Operating Income</b>	39,723		369,000	408,723
<b>Non-Operating Revenues:</b>				
Interest on deposited funds and loan receivable	3,277	133	170,943	174,353
<b>Change in Net Position</b>	43,000	133	539,943	583,076
<b>Net Position, beginning of the fiscal year</b>	<u>545,318</u>	<u>21,024</u>	<u>5,720,772</u>	<u>6,287,114</u>
<b>Net Position, end of the fiscal year</b>	<u>\$ 588,318</u>	<u>\$ 21,157</u>	<u>\$ 6,260,715</u>	<u>\$ 6,870,190</u>

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2014**

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from contractors	\$ 329,346	\$	\$ 369,000	\$ 698,346
Cash paid to suppliers for goods and services	(458,226)			(458,226)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(128,880)</u>		<u>369,000</u>	<u>240,120</u>
<b>Cash Flows from Investing Activities:</b>				
Interest received	3,108	261	1,223	4,592
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>3,108</u>	<u>261</u>	<u>1,223</u>	<u>4,592</u>
<b>Net Increase/(Decrease) in Cash</b>	(125,772)	261	370,223	244,712
<b>Cash Deposited with County Treasurer, Beginning of Fiscal Year</b>	<u>670,374</u>	<u>20,836</u>	<u>10,263</u>	<u>701,473</u>
<b>Cash Deposited with County Treasurer, End of Fiscal Year</b>	<u>\$ 544,602</u>	<u>\$ 21,097</u>	<u>\$ 380,486</u>	<u>\$ 946,185</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 39,723	\$	\$ 369,000	\$ 408,723
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
(Increase) decrease in accounts receivable	(100,000)			(100,000)
Increase (decrease) in accounts payable	(68,603)			(68,603)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (128,880)</u>	<u>\$</u>	<u>\$ 369,000</u>	<u>\$ 240,120</u>

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**Combining Statement of Net Position**  
**June 30, 2013**

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Total
<b>Assets</b>				
Cash deposited with County Treasurer	\$ 670,374	\$ 20,836	\$ 10,263	\$ 701,473
Receivables:				
Accrued Interest	1,287	188	84,509	85,984
Loan			5,626,000	5,626,000
<b>Total Assets</b>	<u>671,661</u>	<u>21,024</u>	<u>5,720,772</u>	<u>6,413,457</u>
<b>Liabilities</b>				
Accounts payable	126,343			126,343
<b>Total Liabilities</b>	<u>126,343</u>			<u>126,343</u>
<b>Net Position</b>				
Restricted for projects	545,318	21,024	5,720,772	6,287,114
<b>Total Net Position</b>	<u>\$ 545,318</u>	<u>\$ 21,024</u>	<u>\$ 5,720,772</u>	<u>\$ 6,287,114</u>

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2013**

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Total
<b>Operating Revenues:</b>				
Other services - Fund Transfer to Civic	\$ 125,891	\$	\$	\$ 125,891
Miscellaneous	200,000		5,626,000	5,826,000
<b>Total Operating Revenues</b>	<u>325,891</u>		<u>5,626,000</u>	<u>5,951,891</u>
<b>Operating Expenses:</b>				
Contract and professional service fees	6,450,204			6,450,204
Grants		7,861,485		7,861,485
County - management fees	160,588			160,588
Utilities, supplies, and other charges	75			75
<b>Total Operating Expenses</b>	<u>6,610,867</u>	<u>7,861,485</u>		<u>14,472,352</u>
<b>Operating (Loss)</b>	(6,284,976)	(7,861,485)	5,626,000	(8,520,461)
<b>Non-Operating Revenues:</b>				
Interest on deposited funds and loan receivable	17,743	23,824	94,772	136,339
<b>Change in Net Position</b>	(6,267,233)	(7,837,661)	5,720,772	(8,384,122)
<b>Net Position, beginning of the fiscal year</b>	<u>6,812,551</u>	<u>7,858,685</u>		<u>14,671,236</u>
<b>Net Position, end of the fiscal year</b>	<u>\$ 545,318</u>	<u>\$ 21,024</u>	<u>\$ 5,720,772</u>	<u>\$ 6,287,114</u>

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2013**

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from other governmental agencies	\$	\$	\$5,626,000	\$ 5,626,000
Cash received from contractors	325,891			325,891
Cash paid to suppliers for goods and services	<u>(7,966,732)</u>	<u>(7,861,485)</u>		<u>(15,828,217)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(7,640,841)</u>	<u>(7,861,485)</u>	5,626,000	<u>(9,876,326)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest received	25,135	30,781	10,263	66,179
Disbursements for loans receivable			<u>(5,626,000)</u>	<u>(5,626,000)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>25,135</u>	<u>30,781</u>	<u>(5,615,737)</u>	<u>(5,559,821)</u>
<b>Net Increase/(Decrease) in Cash</b>	(7,615,706)	(7,830,704)	10,263	(15,436,147)
<b>Cash Deposited with County Treasurer, Beginning of Fiscal Year</b>	<u>8,286,080</u>	<u>7,851,540</u>		<u>16,137,620</u>
<b>Cash Deposited with County Treasurer, End of Fiscal Year</b>	<u>\$ 670,374</u>	<u>\$ 20,836</u>	<u>\$ 10,263</u>	<u>\$ 701,473</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (6,284,976)	\$(7,861,485)	\$5,626,000	\$(8,520,461)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Increase (decrease) in accounts payable	(1,335,040)			(1,335,040)
Increase (decrease) in due to County of Los Angeles	(20,825)			(20,825)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (7,640,841)</u>	<u>\$(7,861,485)</u>	<u>\$5,626,000</u>	<u>\$(9,876,326)</u>