

LOS ANGELES GRAND AVENUE AUTHORITY

ANNUAL FINANCIAL REPORT

June 30, 2019

LOS ANGELES GRAND AVENUE AUTHORITY
June 30, 2019

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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 year ended June 30, 2019, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, 2019, and the changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any business interruption and related financial impact cannot be reasonably estimated at this time. 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 4 and 5, 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 April 8, 2020 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
April 8, 2020

**LOS ANGELES GRAND AVENUE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019**

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 year ended June 30, 2019. 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, 2019, the Authority's net position increased by \$2.36 million to \$18.68 million. Cash deposited in the County Treasury Pool decreased by \$3.92 million to \$5.17 million.
- Operating revenues increased by \$1.72 million to \$2.73 million while operating expenses increased by \$0.45 million to \$0.77 million.
- 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.
- 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.

**LOS ANGELES GRAND AVENUE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019**

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) 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. Operating revenues consist primarily of contributions from the developer, as well as a transfer from the CRA in the amount of \$2.275 million. Operating expenses consist primarily of contract and professional service fees.

As of June 30, 2019, the Authority's net position was \$18.68 million compared to \$16.31 million as of June 30, 2018. Assets consisted primarily of a \$6.00 million loan to the developer for financing of affordable housing development to be constructed at 237 South Grand Avenue, a \$2.75 million loan to the developer for the development of certain real property adjacent to the Los Angeles downtown Civic Center and Music Center for retail, hotel, office and affordable housing, and cash deposited in the County's Treasury Pool of \$5.17 million and prepaid expenses \$4.00 million. Liabilities as of June 30, 2019 were \$0.01 million compared to \$0.03 million as of June 30, 2018 and consisted of accounts payable.

Capital Assets

As of June 30, 2019, the Authority had no capital assets.

Economic Factors

- In November 2016, the Authority board approved documents, including the revised Scope of Development related to the Development for Parcel Q. Construction began December of 2018 and is estimated to be completed at end of 2021.
- The Scope of Development for Parcel W-2 is still pending.
- The Scope of Development for the parcel behind Parcel L 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, 2019

Assets

Cash deposited with County Treasurer (Note 3)	\$ 5,169,544
Receivables:	
Accounts receivable	2,343
Accrued Interest	41,421
Loans (Note 5)	9,472,608
Prepaid expenses	4,000,000
Total Assets	<u>18,685,916</u>

Liabilities

Accounts payable	<u>9,210</u>
Total Liabilities	<u>9,210</u>

Net Position

Restricted for projects (Note 4)	<u>18,676,706</u>
Total Net Position	<u><u>\$ 18,676,706</u></u>

See accompanying notes to the basic financial statements

LOS ANGELES GRAND AVENUE AUTHORITY
Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended June 30, 2019

Operating Revenues:	
Other governmental agencies	\$ 2,275,000
Contributions from developers	<u>453,867</u>
Total Operating Revenues	<u>2,728,867</u>
Operating Expenses:	
Contract and professional service fees	269,323
Grant to developers	<u>500,000</u>
Total Operating Expenses	<u>769,323</u>
Operating Income (loss)	1,959,544
Non-Operating Revenues:	
Interest	<u>404,593</u>
Change in Net Position	2,364,137
Net Position, beginning of the fiscal year	<u>16,312,569</u>
Net Position, end of the fiscal year	<u><u>\$ 18,676,706</u></u>

See accompanying notes to the basic financial statements

LOS ANGELES GRAND AVENUE AUTHORITY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

Cash Flows from Operating Activities:

Cash received from developers	\$ 686,077
Cash received from other governmental agencies	2,275,000
Cash paid to suppliers for goods and services	(292,499)
Cash paid to grantees	(4,500,000)

Net Cash Provided (Used) by Operating Activities	(1,831,422)
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Cash Flows from Investing Activities:

Interest received	188,152
Disbursements for loans receivable	(2,275,000)

Net Cash Provided (Used) by Investing Activities	(2,086,848)
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Net Increase/(Decrease) in Cash	(3,918,270)
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Cash Deposited with County Treasurer, Beginning of Fiscal Year	9,087,814
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Cash Deposited with County Treasurer, End of Fiscal Year	\$ 5,169,544
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**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ 1,959,544
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	232,210
(Increase) decrease in prepaid expenses	(4,000,000)
Increase (decrease) in accounts payable	(23,176)

Net Cash Provided (Used) by Operating Activities	\$ (1,831,422)
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See accompanying notes to the basic financial statements

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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 THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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 contract and professional service fees. 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.

The following are descriptions of the Authority's funds:

- **The Los Angeles Grand Avenue Authority Fund** is the Authority'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 Phase I Lease Parcel Q Fund** is used to deposit advanced payments of incentive rent and extension payments for Phase I of the Parcel Q project.

The Authority's financial statements are presented in accordance with the provisions of 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 established standards for reporting deferred outflows of resources, deferred inflows 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:

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 fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

B. Significant Accounting Policies (Continued)

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. As of June 30, 2019, the Authority had \$12,358,076 of Restricted Net Position.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

C. New Accounting Pronouncements

The following GASB Statements have been implemented in the current basic financial statements.

GASB 83	Certain Asset Retirement Obligations	Addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The implementation of GASB Statement No. 83 did not have an impact on the financial statements.
GASB 88	Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	Improves the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

C. New Accounting Pronouncements (Continued)

GASB 88	Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	finance-related consequences, significant termination events with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The Implementation of GASB Statement No. 88 did not have an impact on the financial statements.
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D. Revenue

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

E. Capital Assets

Capital assets, which include land and buildings and improvements, would be reported in the statement 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, 2019, the Authority did not have any capital assets.

F. 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.

G. 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 RELATED PARTY TRANSACTIONS

The County of Los Angeles maintains the books and records of the Authority, including the investment with the County Treasurer and Tax Collector (TTC).

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 CASH DEPOSITED WITH COUNTY TREASURER

In accordance with the California Government Code, cash balances of the Authority are deposited with and pooled and invested by the TTC 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, asset-backed securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, forwards, future options, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds registered with the Securities and Exchange Commission, securities lending agreements, the State of California's Local Agency Investment Fund, interest rate swaps, and supranational institutions.

Investments are stated at fair value and are valued on a monthly basis. The TTC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix Pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investments in an external government investment pool are not subject to reporting within the level hierarchy.

See the County of Los Angeles' Comprehensive Annual Financial Report for FY 2018-19 disclosures related to cash and investments and the related interest rate risk, credit rate risk, custodial risk, and concentration risk.

Funds deposited in the Los Angeles County Treasury Pool amounted to \$5,169,544 as of June 30, 2019. 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, 2019, consisted of the following:

Restricted for projects	<u>\$ 18,676,706</u>
Total Net Position	<u>\$ 18,676,706</u>

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 LOANS 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. On September 4, 2015, the Authority loaned an additional \$369,000 to Grand Avenue M Housing Partners, LLC as part of the financing for the same affordable housing development. 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 unsecured 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 a 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 \$7,153,978 at June 30, 2019.

Principal	\$ 5,995,000
Accrued Interest	<u>1,158,978</u>
 Outstanding Balance	 <u><u>\$ 7,153,978</u></u>

On February 11, 2019, the Authority loaned \$2,275,000 to Core/Related Gala Parking, LLC as part of the financing 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). The term of the loan is 55 years which shall expire 55 years after the recordation of the Certificate of Completion pursuant to the Public Improvement Agreement. Commencing on the first March 1st following the first full calendar year of operation of the Garage improvements, the borrower shall pay to the Authority an amount equal to 100% of their net parking revenue. The entire unpaid principal balance and any accrued but unpaid interest shall be due and payable 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 unsecured Event of Default by the Borrower; or (c) expiration of the term of the loan. Interest on the loan is 5% per annum, simple interest on the principal amount.

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 LOANS RECEIVABLE (Continued)

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 a 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 outstanding balance of the loan was \$2,318,630 at June 30 2019.

Principal	\$ 2,275,000
Accrued Interest	<u>43,630</u>
 Outstanding Balance	 <u>\$ 2,318,630</u>

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. The DDA was subsequently amended with the most recent amendment being adopted November 22, 2016. This 5th amendment required the Developer to pay the Authority a \$7 million extension fee to be used at a later time, at the discretion of the Authority, for construction of public improvements and/or affordable housing on the Phase I site. The Authority received \$3 million in December 2016 and \$4 million in March 2017.

NOTE 7 SUBSEQUENT EVENTS

The World Health Organization has declared the outbreak of Novel Coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The Coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact. Nevertheless, the outbreak presents uncertainty and risk with respect to the Authority, its performance, and financial results.

LOS ANGELES GRAND AVENUE AUTHORITY
Combining Statement of Net Position
As of June 30, 2019

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Phase I Ground Lease Parcel Q	Total
Assets					
Cash deposited with County Treasurer	\$ 1,368,165	\$ 22,363	\$ 13,744	\$ 3,765,272	\$ 5,169,544
Receivables:					
Accounts receivable	2,343				2,343
Accrued interest	6,965	119	73	34,264	41,421
Loans			7,153,978	2,318,630	9,472,608
Prepaid expenses				4,000,000	4,000,000
Total Assets	<u>1,377,473</u>	<u>22,482</u>	<u>7,167,795</u>	<u>10,118,166</u>	<u>18,685,916</u>
Liabilities					
Accounts payable	9,210				9,210
Total Liabilities	<u>9,210</u>				<u>9,210</u>
Net Position					
Restricted for projects	1,368,263	22,482	7,167,795	10,118,166	18,676,706
Total Net Position	<u>\$ 1,368,263</u>	<u>\$ 22,482</u>	<u>\$ 7,167,795</u>	<u>\$ 10,118,166</u>	<u>\$ 18,676,706</u>

LOS ANGELES GRAND AVENUE AUTHORITY
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Phase I Ground Lease Parcel Q	Total
Operating Revenues:					
Other governmental agencies	\$ -	\$ -	\$ -	\$ 2,275,000	\$ 2,275,000
Contributions from developers	453,867				453,867
Total Operating Revenues	<u>453,867</u>			<u>2,275,000</u>	<u>2,728,867</u>
Operating Expenses:					
Contract and professional service fees	269,323				269,323
Grant to developers				500,000	500,000
Total Operating Expenses	<u>269,323</u>			<u>500,000</u>	<u>769,323</u>
Operating Income (Loss)	184,544			1,775,000	1,959,544
Non-Operating Revenues:					
Interest	12,847	452	180,128	211,166	404,593
Change in Net Position	197,391	452	180,128	1,986,166	2,364,137
Net Position, beginning of the fiscal year	<u>1,170,872</u>	<u>22,030</u>	<u>6,987,667</u>	<u>8,132,000</u>	<u>16,312,569</u>
Net Position, end of the fiscal year	<u>\$ 1,368,263</u>	<u>\$ 22,482</u>	<u>\$ 7,167,795</u>	<u>\$ 10,118,166</u>	<u>\$ 18,676,706</u>

LOS ANGELES GRAND AVENUE AUTHORITY
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Phase I Ground Lease Parcel Q	Total
Cash Flows from Operating Activities:					
Cash received from developers	\$ 686,077	\$ -	\$ -	\$ -	\$ 686,077
Cash received from other governmental agencies				2,275,000	2,275,000
Cash paid to suppliers for goods and services	(292,499)				(292,499)
Cash paid to grantees				(4,500,000)	(4,500,000)
Net Cash Provided (Used) by Operating Activities	<u>393,578</u>			<u>(2,225,000)</u>	<u>(1,831,422)</u>
Cash Flows from Investing Activities:					
Interest received	13,082	453	279	174,338	188,152
Disbursement for loan receivable				(2,275,000)	(2,275,000)
Net Cash Provided (Used) by Investing Activities	<u>13,082</u>	<u>453</u>	<u>279</u>	<u>(2,100,662)</u>	<u>(2,086,848)</u>
Net Increase/(Decrease) in Cash	406,660	453	279	(4,325,662)	(3,918,270)
Cash Deposited with County Treasurer, Beginning of Fiscal Year	<u>961,505</u>	<u>21,910</u>	<u>13,465</u>	<u>8,090,934</u>	<u>9,087,814</u>
Cash Deposited with County Treasurer, End of Fiscal Year	<u>\$ 1,368,165</u>	<u>\$ 22,363</u>	<u>\$ 13,744</u>	<u>\$ 3,765,272</u>	<u>\$ 5,169,544</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 184,544	\$ -	\$ -	\$ 1,775,000	\$ 1,959,544
Adjustments to reconcile operating income (Loss) to Net cash provided (used) by operating activities:					
(Increase) decrease in accounts receivable	232,210				232,210
(Increase) decrease in prepaid expenses				(4,000,000)	(4,000,000)
Increase (decrease) in accounts payable	(23,176)				(23,176)
Net Cash Provided (Used) by Operating Activities	<u>\$ 393,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,225,000)</u>	<u>\$ (1,831,422)</u>