

LOS ANGELES GRAND AVENUE AUTHORITY

ANNUAL FINANCIAL REPORT

June 30, 2022

LOS ANGELES GRAND AVENUE AUTHORITY
June 30, 2022

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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 Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Authority'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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.

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 is the responsibility of management and, 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 (RSI) 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 statement of net position, the combining statement of revenues, expenses, and changes in net position, and combining statement of cash flows are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position, the combining statement of revenues, expenses, and changes in net position, and combining statement of cash flows are 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 May 25, 2023 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
May 25, 2023

**LOS ANGELES GRAND AVENUE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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, 2022, the Authority's net position increased by \$11.25 million to \$36.72 million. Cash deposited in the County Treasury Pool increased by \$7.27 million to \$9.51 million.
- Operating revenues increased by \$2.64 million to \$10.64 million while operating expenses decreased by \$4.20 million to \$0.03 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, 2022**

Financial Statement Analysis

The Authority was established between the County of Los Angeles (County) and the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) to provide for the development of certain properties owned by the County and the CRA/LA located in the vicinity of Grand Avenue in downtown Los Angeles. Operating revenues consist primarily of a transfer of \$10.62 million from the CRA/LA, as well as contributions of \$0.02 million from the developer. Operating expenses consist primarily of contract and professional service fees of \$0.03 million.

As of June 30, 2022, the Authority's net position was \$36.72 million compared to \$25.48 million as of June 30, 2021. 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 \$5.00 million loan to the developer for the development of Offsite Publicly Owned Improvements of certain real property adjacent to the Los Angeles downtown Civic Center and Music Center (Parcel Q), a \$8.90 million loan to the developer for financing of affordable housing development to be constructed on Parcel Q, \$4.60 million prepaid expense for Public Space Improvement on Parcel Q, and cash deposited in the County's Treasury Pool of \$9.51 million. Liabilities as of June 30, 2022 were less than \$0.01 million, similar to \$0.01 million as of June 30, 2021, and consisted of accounts payable.

Capital Assets

As of June 30, 2022, 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 on June 27, 2022, the Developer achieved the Completion of Construction for the project. On that date, project architects issued Certificates of Substantial Completion and the City issued its Temporary Certificate of Occupancy.

As required in the Fifth Amendment to the Disposition and Development Agreement (together with the original Disposition & Development Agreement and all amendments the "DDA"), the Developer is required to seek to incorporate a mixture of retail tenants at Parcel Q with products and offerings in a range of price points.

In conjunction with this effort, during the initial lease-up of the retail improvements in the project and continuing for the first two (2) years of operation of the retail improvements, the Developer is required to provide the Authority with quarterly reports. As of the most recent quarterly report, dated January 30, 2023, the Developer continues leasing activities of retail space.

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, 2022

Assets

Cash deposited with County Treasurer (Note 3)	\$ 9,506,775
Receivables:	
Accounts receivable	5,229
Accrued interest	25,497
Loans (Note 5)	22,596,041
Prepaid expenses	4,600,000
Total Assets	<u>36,733,542</u>

Liabilities

Accounts payable	11,097
Total Liabilities	<u>11,097</u>

Net Position

Restricted for projects (Note 4)	36,722,445
Total Net Position	<u>\$ 36,722,445</u>

See accompanying notes to the basic financial statements

LOS ANGELES GRAND AVENUE AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

Operating Revenues:	
Other governmental agencies	\$ 10,625,000
Contributions from developers	18,180
Total Operating Revenues	<u>10,643,180</u>
 Operating Expenses:	
Contract and professional service fees	<u>26,680</u>
Total Operating Expenses	<u>26,680</u>
 Operating Income	 10,616,500
 Non-Operating Revenues:	
Interest	<u>628,561</u>
Total Non-Operating Revenues (Expenses)	<u>628,561</u>
 Change in Net Position	 11,245,061
 Net Position, beginning of the fiscal year	 <u>25,477,384</u>
 Net Position, end of the fiscal year	 <u><u>\$ 36,722,445</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, 2022

Cash Flows from Operating Activities:

Cash received from developers	\$ 18,243
Cash received from other governmental agencies	10,625,000
Cash paid to suppliers for goods and services	<u>(16,277)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>10,626,966</u></u>

Cash Flows from Investing Activities:

Interest received	36,916
Funds to escrow for loan disbursement	<u>(3,397,221)</u>
Net Cash Provided (Used) by Investing Activities	<u><u>(3,360,305)</u></u>

Net Increase (Decrease) in Cash 7,266,661

**Cash Deposited with County Treasurer,
Beginning of Fiscal Year** 2,240,114

**Cash Deposited with County Treasurer,
End of Fiscal Year** \$ 9,506,775

**Reconciliation of Operating Income to Net Cash
Provided (Used) by Operating Activities:**

Operating Income	\$ 10,616,500
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Decrease in accounts receivable	63
Increase in accounts payable	<u>10,403</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 10,626,966</u></u>

See accompanying notes to the basic financial statements

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

On January 31, 2022, the County and the CRA/LA signed a new amended and restated joint powers agreement to revise the governance structure of the Authority and update its provisions in light of the successful development of the properties to provide for the continued operation of the Authority for the marketing and development of the properties.

Under the original joint powers' agreement, the Authority was 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/LA properties are located, the Administrator from the CRA/LA, and one Governor-appointed person to serve as a non-voting Director. As of January 31, 2022, the Board consists of five directors consisting entirely of the County Board of Supervisors.

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.

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, 2022

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

Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority is contributions from other governmental agencies. Operating expenses include grants to developers. All other 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 Statement 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, 2022

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

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, 2022, the Authority had \$36,722,445 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."

Revenue

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

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, 2022, the Authority did not have any capital assets.

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.

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.

Leases

The Authority is a lessee for three noncancelable ground leases for certain properties owned by the County and the CRA/LA located in the vicinity of Grand Avenue in downtown Los Angeles. The leases are for 99 years, from March 5, 2007 to March 4, 2106 with rent of \$1 per year. The Authority has no lease liabilities that meet the criteria to be recognized at June 30, 2022.

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

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

The Authority subleased the properties mentioned above to Grand Avenue L.A., LLC (Developer) to develop the properties with retail, hotel, office, and housing. The terms of each of the leases are from March 5, 2007 to March 3, 2106. The lease acquisition fee of \$50 million has been received from the Developer and used to fund the development properties. The Authority has no lease liabilities or receivable that meet the criteria to be recognized at June 30, 2022.

NOTE 2 RELATED PARTY TRANSACTIONS

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

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.

California Government Code Sections 53601 and 53635 authorize the Treasurer to invest the External Investment Pool (Pool) and Specific Purpose Investment funds 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, futures, 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, and supranational institutions. California Government Code Section 53534 authorizes the Treasurer to enter into interest rate swap agreements. However, these agreements should only be used in conjunction with the sale of the bonds approved by the Board of Supervisors. As permitted by the California Government Code, the Treasurer developed, and the Board of Supervisors adopted, an Investment Policy that further defines and restricts the limits within which the Treasurer may invest. The investments are managed by the Treasurer, which reports investment activity to the Board of Supervisors on a monthly basis. In addition, the Treasurer's investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The Treasurer also maintains Other Specific Investments, which are invested pursuant to Section 1300.76.1, Title 28, California Code of Regulations. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2022, to support the value of shares in the Pool.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer 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

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 CASH DEPOSITED WITH COUNTY TREASURER (Continued)

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' Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, for the 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 \$9,506,775 as of June 30, 2022. This amount represents less than 0.1% of the total balance of the Los Angeles County Treasury Pool.

NOTE 4 NET POSITION

Net position at June 30, 2022, consisted of the following:

Restricted for projects	<u>\$ 36,722,445</u>
Total Net Position	<u><u>\$ 36,722,445</u></u>

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, 2014, 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.

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 LOANS RECEIVABLE (Continued)

The outstanding balance of the loan was \$7,693,528 at June 30, 2022.

Principal	\$ 5,995,000
Accrued Interest	<u>1,698,528</u>
Outstanding Balance	<u><u>\$ 7,693,528</u></u>

On February 11, 2019, July 31, 2019, and August 6, 2021, the Authority loaned \$2,275,000, \$1,552,779, and \$1,172,221, respectively, 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 loans are 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.

The loans are 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 \$5,611,416 at June 30, 2022.

Principal	\$ 5,000,000
Accrued Interest	<u>611,416</u>
Outstanding Balance	<u><u>\$ 5,611,416</u></u>

On January 23, 2020, the Authority loaned \$2,225,000 for the development of affordable housing to Core/Related Gala Rental, LP 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). On July 17, 2020, January 19, 2021, and January 14, 2022, the Authority loaned an additional \$2,225,000, \$2,225,000 and \$2,225,000, respectively, to Core/Related Gala Rental, LP as part of the financing for the same affordable housing development. The term of the loan is 55 years which shall expire 55 years after the recordation of the Certificate of Completion pursuant to the Affordable Housing Agreement. Commencing on the first March 1st following the first full calendar year of operation of the Affordable Housing units, the borrower shall pay to the Authority an amount equal to 50% of the rental fees for the affordable housing units. 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

LOS ANGELES GRAND AVENUE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 LOANS RECEIVABLE (Continued)

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 outstanding balance of the loan was \$9,291,097 at June 30, 2022:

Principal	\$ 8,900,000
Accrued Interest	<u>391,097</u>
Outstanding Balance	<u><u>\$ 9,291,097</u></u>

LOS ANGELES GRAND AVENUE AUTHORITY
Combining Statement of Net Position
As of June 30, 2022

	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	\$ 660,964	\$ 23,063	\$ 14,174	\$ 8,808,574	\$ 9,506,775
Receivables:					
Accounts	5,229	-	-	-	5,229
Accrued interest	1,780	62	38	23,617	25,497
Loans	-	-	7,693,528	14,902,513	22,596,041
Prepaid expenses	-	-	-	4,600,000	4,600,000
Total Assets	<u>667,973</u>	<u>23,125</u>	<u>7,707,740</u>	<u>28,334,704</u>	<u>36,733,542</u>
Liabilities					
Accounts payable	11,097	-	-	-	11,097
Total Liabilities	<u>11,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,097</u>
Net Position					
Restricted for projects	656,876	23,125	7,707,740	28,334,704	36,722,445
Total Net Position	<u>\$ 656,876</u>	<u>\$ 23,125</u>	<u>\$ 7,707,740</u>	<u>\$ 28,334,704</u>	<u>\$ 36,722,445</u>

LOS ANGELES GRAND AVENUE AUTHORITY
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	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	\$ -	\$ -	\$ -	\$ 10,625,000	\$ 10,625,000
Contributions from developers	18,180	-	-	-	18,180
Total Operating Revenues	<u>18,180</u>	<u>-</u>	<u>-</u>	<u>10,625,000</u>	<u>10,643,180</u>
Operating Expenses:					
Contract and professional service fees	26,680	-	-	-	26,680
Total Operating Expenses	<u>26,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,680</u>
Operating Income (Loss)	<u>(8,500)</u>	<u>-</u>	<u>-</u>	<u>10,625,000</u>	<u>10,616,500</u>
Non-Operating Revenues:					
Interest	4,021	141	179,936	444,463	628,561
Total Non-Operating Revenues (Expenses)	<u>4,021</u>	<u>141</u>	<u>179,936</u>	<u>444,463</u>	<u>628,561</u>
Change in Net Position	<u>(4,479)</u>	<u>141</u>	<u>179,936</u>	<u>11,069,463</u>	<u>11,245,061</u>
Net Position, beginning of the fiscal year	<u>661,355</u>	<u>22,984</u>	<u>7,527,804</u>	<u>17,265,241</u>	<u>25,477,384</u>
Net Position, end of the fiscal year	<u>\$ 656,876</u>	<u>\$ 23,125</u>	<u>\$ 7,707,740</u>	<u>\$ 28,334,704</u>	<u>\$ 36,722,445</u>

LOS ANGELES GRAND AVENUE AUTHORITY
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

	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	\$ 18,243	\$ -	\$ -	\$ -	\$ 18,243
Cash received from other governmental agencies	-	-	-	10,625,000	10,625,000
Cash paid to suppliers for goods and services	(16,277)	-	-	-	(16,277)
Net Cash Provided (Used) by Operating Activities	<u>1,966</u>	<u>-</u>	<u>-</u>	<u>10,625,000</u>	<u>10,626,966</u>
Cash Flows from Investing Activities:					
Interest received	3,344	115	70	33,387	36,916
Funds to escrow for loan disbursement	-	-	-	(3,397,221)	(3,397,221)
Net Cash Provided (Used) by Investing Activities	<u>3,344</u>	<u>115</u>	<u>70</u>	<u>(3,363,834)</u>	<u>(3,360,305)</u>
Net Increase (Decrease) in Cash	5,310	115	70	7,261,166	7,266,661
Cash Deposited with County Treasurer, Beginning of Fiscal Year	<u>655,654</u>	<u>22,948</u>	<u>14,104</u>	<u>1,547,408</u>	<u>2,240,114</u>
Cash Deposited with County Treasurer, End of Fiscal Year	<u>\$ 660,964</u>	<u>\$ 23,063</u>	<u>\$ 14,174</u>	<u>\$ 8,808,574</u>	<u>\$ 9,506,775</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (8,500)	\$ -	\$ -	\$ 10,625,000	\$ 10,616,500
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Decrease in accounts receivable	63	-	-	-	63
Increase in accounts payable	10,403	-	-	-	10,403
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,625,000</u>	<u>\$ 10,626,966</u>