

***LOS ANGELES GRAND AVENUE AUTHORITY  
ANNUAL FINANCIAL REPORT***

***JUNE 30, 2024***



Simpson & Simpson, LLP  
Certified Public Accountants

***LOS ANGELES GRAND AVENUE AUTHORITY***

June 30, 2024

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*FINANCIAL SECTION*

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## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the accompanying financial statements of the Los Angeles Grand Avenue Authority (the Authority), as of and for the year ended June 30, 2024, 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, 2024, 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.

### ***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 opinions.

### ***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.



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### ***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 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.

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 January 15, 2025 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.

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
January 15, 2025

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the year ended June 30, 2024**  
**(UNAUDITED)**

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, 2024. 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, 2024, the Authority's net position decreased by \$7.38 million to \$25.35 million. Cash deposited in the County Treasury Pool increased by \$0.11 million to \$1.26 million.
- Operating revenues decreased by less than \$0.01 million to \$0 while operating expenses increased by \$3.80 million to \$8.41 million.
- The Authority has no capital assets.
- The Authority has no long-term debt.

**Overview of the 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 generated during the fiscal year to meet the operating needs of the Authority.
- The notes to the financial statements 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 (Continued)**  
**For the year ended June 30, 2024**  
**(UNAUDITED)**

**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 contributions from the developer. Operating expenses consist primarily of contract and professional service fees of less than \$0.01 million and grants given to developers of \$8.40 million.

As of June 30, 2024, the Authority's net position was \$25.35 million compared to \$32.73 million as of June 30, 2023. 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), \$8.90 million loan to the developer for financing of affordable housing development to be constructed on Parcel Q, and cash deposited in the County's Treasury Pool of \$1.26 million. There were no liabilities as of June 30, 2024, compared to the less than \$0.01 million as of June 30, 2023 and consisted of accounts payable.

**Capital Assets**

As of June 30, 2024, 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 (DDA) (together with the original DDA and all amendments to 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 November 5, 2024, 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, 2024

<b>Assets</b>	
Cash deposited with County Treasurer (Note 3)	\$ 1,262,263
Receivables:	
Accrued interest	13,700
Loans (Note 5)	<u>24,072,794</u>
<b>Total Assets</b>	<u><u>25,348,757</u></u>
 <b>Liabilities</b>	
Accounts payable	<u>-</u>
<b>Total liabilities</b>	<u>-</u>
 <b>Net Position</b>	
Restricted for projects (Note 4)	<u>25,348,757</u>
<b>Total net position</b>	<u><u>\$ 25,348,757</u></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, 2024**

<b>Operating Revenues:</b>	
Contributions from developers	\$ <u>                  -</u>
<b>Total Operating Revenues</b>	<u>                  -</u>
 <b>Operating Expenses:</b>	
Contract and professional service fees	8,771
Grant to developers (Note 6)	<u>8,400,000</u>
<b>Total operating expenses</b>	<u>8,408,771</u>
 <b>Operating Income (Loss)</b>	 (8,408,771)
 <b>Non-Operating Revenues:</b>	
Interest	<u>1,030,195</u>
<b>Total Non-Operating Revenues</b>	<u>1,030,195</u>
 <b>Change in Net Position</b>	 (7,378,576)
 <b>Net Position, beginning of the fiscal year</b>	 <u>32,727,333</u>
 <b>Net Position, end of the fiscal year</b>	 \$ <u><u>25,348,757</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, 2024

**Cash Flows from Operating Activities:**

Cash paid to suppliers for goods and services	\$ (14,867)
<b>Net Cash Provided (Used) by Operating Activities</b>	(14,867)

**Cash Flows from Non-Capital Financing Activities:**

Contribution from developers	-
<b>Net Cash Provided by Non-Capital Financing Activities</b>	-

**Cash Flows from Investing Activities:**

Interest income	122,787
<b>Net Cash Provided (Used) by Investing Activities</b>	122,787

**Net Increase in Cash** 107,920

**Cash Deposited with County Treasurer,  
Beginning of Fiscal Year** 1,154,343

**Cash Deposited with County Treasurer,  
End of Fiscal Year** \$ 1,262,263

**Reconciliation of Operating Income (Loss) to Net**

**Cash Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ (8,408,771)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Decrease in escrow account	8,400,000
Decrease in accounts payable	(6,096)
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ (14,867)

See accompanying notes to the basic financial statements

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**

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

**Organization**

The Los Angeles Grand Avenue Authority (the Authority), established on September 2, 2003, is a separate public entity formed 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 operating as CRA/LA, a designated local Authority. The primary purpose of the Authority is to oversee and coordinate the development of properties owned by the County and CRA/LA in the Grand Avenue area of downtown Los Angeles.

On January 31, 2023, the County and CRA/LA executed an amended and restated joint powers agreement. This update was intended to revise the Authority's governance structure and to ensure that provisions align with the successful development of the properties, facilitating its continued operation for the management and marketing of these developments.

Under the original agreement, the Board of Directors consisted of five members: 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 CRA/LA properties are located, the Administrator from CRA/LA, and one Governor-appointed non-voting member. As of January 15, 2025, the Board is composed of five members, all of whom are County Board of Supervisors.

The Authority is a legally distinct and fiscally autonomous entity from its member agencies. It retains the authority to execute contracts, manage leases or sales agreements, hire personnel, initiate actions necessary for property development, issue requests for qualifications or proposals, and evaluate developer submissions.

The financial statements presented herein reflect only the activities of the Authority. The Authority does not have any component units.

**Significant Accounting Policies**

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental agencies. The Governmental Accounting Standards Board (GASB) serves as an accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting and Measurement Focus

The Authority is reported as an enterprise fund (a proprietary fund type). Enterprise funds are accounting entities with a self-balancing set of accounts used to record the financial position and results of operations for specific governmental activity.

Enterprise fund activities closely resemble those of ongoing businesses, where the primary purpose is to preserve and enhance resources while financing operating expenses through current revenues. Enterprise funds account for operations that provide services on a continuous basis, with revenues derived primarily from user charges or other exchange-like transactions.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**  
(Continued)

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

**Significant Accounting Policies (Continued)**

The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and operating expenses are those that result from providing services or producing and delivering goods in connection with the Authority's principal ongoing operations. The Authority's principal operating revenues consist of contributions from other governmental agencies, while operating expenses primarily include grants to developers. All other revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first, followed by unrestricted resources as 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/LA.

**The Phase I Ground 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 be classified 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 includes capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any debt, such as bonds, mortgages, or notes, that are directly attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at the fiscal year-end, the portion of the debt attributable to those unspent proceeds is excluded from the calculation of net investment in capital assets and instead reported within the same net position component as the unspent proceeds.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**  
(Continued)

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

**Significant Accounting Policies (Continued)**

**Restricted Net Position**

This component of net position represents assets that are restricted in use, net of liabilities related to those specific restricted assets. Restrictions are imposed by external parties, such as creditors, grantors, contributors, or other governments, or through enabling legislation or legal requirements. Restricted net position reflects resources that must be used for purposes narrower than the general operations of the Authority, such as specific projects, programs, or legal obligations.

**Unrestricted Net Position**

This component of net position includes amounts that do not meet the criteria for either “restricted net position” or “net investment in capital assets.” Unrestricted net position represents resources that are available for general use and not subject to externally imposed restrictions.

**Revenue**

The Authority’s primary sources of revenue are developer contributions and interest earnings on funds held with the County Treasurer. Developer contributions are recognized as revenue when earned, in accordance with the accrual basis of accounting. Interest earnings are recognized as revenue when they are earned and available.

**Capital Assets**

Capital assets, which include land and buildings and improvements, are 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 are recorded at their estimated fair value on the date of donation. As of June 30, 2024, the Authority did not have any capital assets to report.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 may differ from those estimates.

**Cash and Cash Equivalents**

For the statement of cash flows, cash includes balances that can be readily available and can be withdrawn without significant notice or penalty. Cash equivalents are defined as short-term, highly liquid investments with an original maturity of three months or less that are easily convertible to known amounts of cash and are subject to an insignificant risk of change in value due to interest rate fluctuations.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**  
(Continued)

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

**Significant Accounting Policies (Continued)**

**Leases**

The Authority is the lessee under three non-cancellable ground leases for certain properties owned by the County and CRA/LA, located in the vicinity of Grand Avenue in downtown Los Angeles. These leases have a 99-year term, commencing on March 5, 2007, and ending on March 4, 2106, with an annual rent of \$1 per lease. As of June 30, 2024, the Authority has no lease liabilities that meet the criteria under applicable accounting standards.

The Authority has subleased the properties mentioned above to Grand Avenue L.A., LLC (the Developer) for the purpose of developing retail, hotel, office, and housing facilities. The sublease agreements are aligned with the original lease terms, from March 5, 2007, to March 3, 2106. The Authority received a \$50 million lease acquisition fee from the Developer, which was used to fund property development projects. As of June 30, 2024, the Authority has no lease liabilities or receivable that meet recognition criteria under the applicable accounting standards.

**NOTE 2 - RELATED PARTY TRANSACTIONS**

The County of Los Angeles manages the Authority's financial operations, including maintaining its books and records. Additionally, the County oversees the Authority's investments through the County Treasurer and Tax Collector (Treasurer), ensuring compliance with applicable policies and regulations.

**NOTE 3 - CASH DEPOSITED WITH COUNTY TREASURER**

In accordance with the California Government Code, the Authority's cash balances are deposited with and pooled by the Treasurer to maximize interest earnings through investment activities. Interest earned on pooled investments is allocated to participating funds based on their average daily balance during the allocation period.

California Government Code Sections 53601 and 53635 authorize the Treasurer to invest in various financial instruments, including obligations of the United States Treasury, federal agencies, municipal bonds, asset-backed securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes and corporate notes, repurchase and reserve repurchase agreements, forwards, futures, options, shares of 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. The California Government Code Section 53534 further allows the Treasurer to enter into interest rate swap agreements, but only in conjunction with bond issuances approved by the Board of Supervisors.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**  
(Continued)

**NOTE 3 - CASH DEPOSITED WITH COUNTY TREASURER (Continued)**

The Treasurer has developed, and the Board of Supervisors has adopted an Investment Policy that provides additional guidelines and restrictions beyond the requirements of the California Government Code. The policy establishes the framework for the County's investment management practices. The Treasurer's investment activities are reported to the Board of Supervisors on a monthly basis and are subject to annual policy review, compliance oversight, quarterly financial reviews, and annual financial reporting. In addition, the Treasurer manages other specific investments under Section 1300.76.1, Title 28 of the California Code of Regulations.

Investments are stated at fair value and are valued monthly. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Securities classified as Level 1 are valued using prices quoted in active markets. Level 2 securities are valued using observable inputs, such as matrix pricing techniques or quoted prices for assets in less active markets. Matrix pricing values securities based on their relationship to benchmark quoted prices. Level 3 securities, which involve significant unobservable inputs, are valued using the income approach, such as discounted cash flow techniques. Investments in external government investment pools are not subject to reporting within the fair value hierarchy.

Funds deposited in the Los Angeles County Treasury Pool totaled \$1,262,263 as of June 30, 2024, which represents less than 0.1% of the total balance of the Treasury Pool.

For additional information on cash, investments, and associated risks, including interest rate risk, credit risk, custodial risk, and concentration risk, refer to the County of Los Angeles Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024.

**NOTE 4 - NET POSITION**

As of June 30, 2024, the Authority's net position totaled \$25,348,757, all of which is restricted for projects. These funds are designated for affordable housing developments, public infrastructure improvements, and other redevelopment initiatives aligned with the Authority's mission. The restricted net position primarily originates from developer contributions, intergovernmental funding, and interest earnings.

The Authority reported no unrestricted net position as of June 30, 2024, indicating all resources are committed to specific purposes.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**  
(Continued)

**NOTE 5 - LOANS RECEIVABLE**

**Grand Avenue M Housing Partners, LLC Loan**

On December 12, 2012, the Authority provided a loan of \$5,626,000 to Grand Avenue M Housing Partners, LLC to finance the development of affordable housing at 237 South Grand Avenue, as part of the Bunker Hill Redevelopment Project. On September 4, 2014, an additional loan of \$369,000 was extended for the same project. The loan has a term of 55 years, commencing December 12, 2012.

The outstanding balance of the loan, including principal and interest, becomes due and payable upon the first occurrence of any of the following: (a) a transfer of ownership (other than a permitted transfer) without prior written consent of the Authority, which shall be granted or denied at the Authority’s sole discretion; (b) an unsecured event of default by the borrower; or (c) expiration of the loan term. The loan accrues interest at a fixed rate of 3% per annum, calculated as simple interest on the principal amount.

The loan is secured by a deed of trust, which is subordinate to any senior loan approved by the Authority, any deed of trust in favor of a senior lender, any security instrument securing a letter of credit, and any regulatory agreements recorded in connection with project financing and/or low-income housing tax credits. However, the loan maintains seniority over a \$7.7 million loan held by Grand Avenue M Housing Partners, LLC with Urban Funding, Inc. Loan repayment is based on annual payments derived from residual receipts, if any. The Authority’s share of residual receipts is equal to fifty percent (50%) of the total residual receipts.

As of June 30, 2024, the outstanding balance of the loan was \$8,053,476, consisting of:

Principal	\$	5,995,000
Accrued Interest		2,058,476
Total Outstanding Balance	\$	8,053,476

**Core/Related Gala Parking, LLC Loan**

On February 11, 2019, July 31, 2019, and August 6, 2021, the Authority provided loans of \$2,275,000, \$1,552,779, and \$1,172,221, respectively, to Core/Related Gala Parking, LLC. These loans supported the development of real property adjacent to the Los Angeles downtown Civic Center and Music Center, including retail, hotel, office, and housing (including affordable housing). The loans have a term of 55 years, expiring 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 is required to remit 100% of net parking revenue to the Authority. The outstanding principal balance and accrued interest income become due and payable upon the first occurrence of the following: (a) a transfer of ownership (other than a permitted transfer) without 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) the expiration of the loan term. The loan accrues interest at a fixed rate of 5% per annum, calculated as simple interest on the principal amount.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**  
(Continued)

**NOTE 5 - LOANS RECEIVABLE (Continued)**

**Core/Related Gala Parking, LLC Loan (Continued)**

The loans are secured by a deed of trust, which is subordinated to any senior loan approved by the Authority, any deed of trust in favor of a senior lender, and any security instrument securing a letter of credit, and any regulatory agreement recorded in connection with project financing and/or low-income housing tax credits.

As of June 30, 2024, the outstanding balance of the loan was \$6,164,590, consisting of:

Principal	\$	5,000,000
Accrued Interest		1,164,590
Total Outstanding Balance	\$	6,164,590

**Core/Related Gala Rental, LP Loan**

On January 23, 2020, the Authority provided a loan of \$2,225,000 to Core/Related Gala Rental, LP to support the development of affordable housing adjacent to the Los Angeles downtown Civic Center and Music Center. Subsequently, the Authority provided three additional loans of \$2,225,000 each on July 17, 2020, January 19, 2021, and January 14, 2023, for the same project. These loans were part of the financing for mixed-use development that includes retail, hotel, office, and housing components, including affordable housing. The loans have a term of 55 years, expiring 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 is required to remit 50% of the rental fees for the affordable housing units to the Authority. The outstanding principal balance and any accrued interest become due and payable upon the first occurrence of any of the following: (a) a transfer of ownership (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) the expiration of the loan term. The loan accrues interest at the fixed rate of 3% per annum, calculated simple interest on the principal amount.

As of June 30, 2024, the outstanding balance of the loan was \$9,854,728, consisting of:

Principal	\$	8,900,000
Accrued Interest		954,728
Total Outstanding Balance	\$	9,854,728

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**  
(Continued)

**NOTE 6 - GRANT TO DEVELOPER**

Amounts totaling \$8,400,000 that were held in escrow in July 2022 as part of the grant for On-Site Public Improvement on Parcel Q were disbursed to Core/Related Gala Retail, LLC in December 2023. The purpose of the grant is to provide a portion of the funds needed to make public space improvements.

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**COMBINING STATEMENT OF NET POSITION**  
**As of June 30, 2024**

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Phase I Ground Lease Parcel Q	Total
<b>Assets</b>					
Cash deposited with County Treasurer	\$ 678,896	\$ 24,494	\$ 15,053	\$ 543,820	\$ 1,262,263
Receivables:					
Accrued interest	7,421	265	163	5,851	13,700
Loans	-	-	8,053,476	16,019,318	24,072,794
<b>Total Assets</b>	<u>686,317</u>	<u>24,759</u>	<u>8,068,692</u>	<u>16,568,989</u>	<u>25,348,757</u>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>					
Restricted for projects	<u>686,317</u>	<u>24,759</u>	<u>8,068,692</u>	<u>16,568,989</u>	<u>25,348,757</u>
<b>Total Net Position</b>	<u>\$ 686,317</u>	<u>\$ 24,759</u>	<u>\$ 8,068,692</u>	<u>\$ 16,568,989</u>	<u>\$ 25,348,757</u>

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**As of June 30, 2024**

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Phase I Ground Lease Parcel Q	Total
<b>Operating Revenues:</b>					
Contributions from developers	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Expenses:</b>					
Contract and professional service fees	8,771	-	-	-	8,771
Grant to developers	-	-	-	8,400,000	8,400,000
<b>Total Operating Expenses</b>	<u>8,771</u>	<u>-</u>	<u>-</u>	<u>8,400,000</u>	<u>8,408,771</u>
<b>Operating Income (Loss)</b>	(8,771)	-	-	(8,400,000)	(8,408,771)
<b>Non-Operating Revenues:</b>					
Interest	27,162	968	180,693	821,372	1,030,195
<b>Total Non-Operating Revenues</b>	<u>27,162</u>	<u>968</u>	<u>180,693</u>	<u>821,372</u>	<u>1,030,195</u>
<b>Change in Net Position</b>	18,391	968	180,693	(7,578,628)	(7,378,576)
<b>Net Position, beginning of the fiscal year</b>	<u>667,926</u>	<u>23,791</u>	<u>7,887,999</u>	<u>24,147,617</u>	<u>32,727,333</u>
<b>Net Position, end of the fiscal year</b>	<u>\$ 686,317</u>	<u>\$ 24,759</u>	<u>\$ 8,068,692</u>	<u>\$ 16,568,989</u>	<u>\$ 25,348,757</u>

**LOS ANGELES GRAND AVENUE AUTHORITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2024

	Los Angeles Grand Avenue Authority	Phase II Affordable Housing	Phase IIB Affordable Housing Parcel M	Phase I Ground Lease Parcel Q	Total
<b>Cash Flows from Operating Activities:</b>					
Cash paid to suppliers for goods and services	\$ (14,867)	\$ -	\$ -	\$ -	\$ (14,867)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(14,867)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,867)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest received	26,373	937	576	94,901	122,787
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>26,373</u>	<u>937</u>	<u>576</u>	<u>94,901</u>	<u>122,787</u>
<b>Net Increase in Cash</b>	11,506	937	576	94,901	107,920
<b>Cash Deposited with County Treasurer, Beginning of Fiscal Year</b>	<u>667,390</u>	<u>23,557</u>	<u>14,477</u>	<u>448,919</u>	<u>1,154,343</u>
<b>Cash Deposited with County Treasurer, End of Fiscal Year</b>	<u>\$ 678,896</u>	<u>\$ 24,494</u>	<u>\$ 15,053</u>	<u>\$ 543,820</u>	<u>\$ 1,262,263</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ (8,771)	\$ -	\$ -	\$ (8,400,000)	\$ (8,408,771)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Decrease in escrow account	-	-	-	8,400,000	8,400,000
Decrease in accounts payable	(6,096)	-	-	-	(6,096)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (14,867)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,867)</u>