

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Unrestricted Net Assets	3
Statement of Cash Flows	4
NOTES TO FINANCIAL STATEMENTS	5 - 8

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
**CENTRAL HOLLYWOOD COALITION (MANAGING ENTITY
FOR SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT)**
Hollywood, California

We have reviewed the accompanying financial statements of Sunset & Vine Business Improvement District (a nonprofit organization) (the "District"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and unrestricted net assets, and cash flows for the year then ended and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants ("AICPA"). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. GAAP.

RBZ, LLP

May 12, 2015

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

ASSETS

Current Assets	
Cash	\$ 332,411
Assessments Receivable (Note 2)	165,286
Assessment Penalties Receivable	3,712
Allowance for Doubtful Accounts (Note 2)	<u>(154,626)</u>
	<u>\$ 346,783</u>

LIABILITIES AND UNRESTRICTED NET ASSETS

Current Liabilities	
Accounts Payable	\$ 74,262
Commitments (Note 4)	
Unrestricted Net Assets	
BID (2012-2018) Funds	211,234
BID (2007-2011) Funds	56,322
Marketing Co-op Funds	<u>4,965</u>
Unrestricted Net Assets	<u>272,521</u>
	<u>\$ 346,783</u>

See accompanying independent accountants' review report and notes to financial statements.

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT
STATEMENTS OF ACTIVITIES AND UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

BID Revenues	
Property Assessments	\$ 1,495,668
Collection of Prior Years' Unpaid Assessments	11,966
Penalties & Interest on Assessments	6,335
Grant Revenue	5,000
Investment Interest Income	<u>434</u>
BID Revenues Sub-Total	1,519,403
Sunset & Vine (Marketing Co-Op) Revenues	<u>13,729</u>
Total Revenues	<u>1,533,132</u>
BID Expenses	
Safety and Security Services	778,112
Maintenance, Streetscape and Beautification Services	379,783
Marketing	13,089
District Management, Policy and Administration	168,309
Contingency, City Fees and Delinquencies	<u>117,866</u>
BID Expenses Sub-Total	1,457,159
Sunset & Vine (Marketing Co-Op) Expenses	<u>14,293</u>
Total Expenses	<u>1,471,452</u>
Change in Unrestricted Net Assets	61,680
Unrestricted Net Assets, beginning of year	<u>210,841</u>
Unrestricted Net Assets, end of year	<u>\$ 272,521</u>

See accompanying independent accountants' review report and notes to financial statements.

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

Cash Flows from Operating Activities	
Change in Unrestricted Net Assets	\$ 61,680
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities	
Change in Allowance for Delinquent Assessments	127,263
Increase in Operating Assets	
Assessments Receivable	(120,663)
Decrease in Operating Liabilities	
Accounts Payable	<u>(23,959)</u>
Net Cash Provided by Operating Activities	<u>44,321</u>
Net Increase in Cash	44,321
Cash, beginning of year	<u>288,090</u>
Cash, end of year	<u>\$ 332,411</u>

See accompanying independent accountants' review report and notes to financial statements.

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - NATURE OF OPERATIONS

During 2006, Sunset & Vine Business Improvement District (the "District") was organized under the laws of the State of California as a Business Improvement District. The District currently operates under an agreement with the City of Los Angeles that has a term of January 1, 2012 through December 31, 2018. The primary purpose of the District is to manage programs, activities, and contracts with the aim of promoting community revitalization efforts, quality of life, streetscape improvements, economic development and business interests for the benefit of owners of property in the District. The activities include security programs to support police and property owner crime prevention efforts, maintenance services to increase the frequency of litter, debris, and graffiti removal, and advocacy to promote business interests in the District. The District generates most of its revenues from special assessments to property owners imposed and collected by the County of Los Angeles, remitted to the City of Los Angeles and disbursed to the District periodically.

The Central Hollywood Coalition ("CHC"), a California nonprofit benefit corporation, is responsible for developing, implementing, directing, operating and administering the District programs as described in the Management District Plan. The District exists as an operating component of CHC, with all funds received and expended relating to the District's operations included in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Status

The District is managed by an organization which is exempt from taxes under Section 501(c)(6) of the Internal Revenue Code ("IRC") and is exempt from federal and state income taxes under Section 501(a) of the IRC and the California Revenue and Taxation Code. Accordingly, no provision or benefit for federal or state income taxes is recorded in the accompanying financial statements.

The District's federal income tax returns for tax years 2011 and beyond remain open to examination by the Internal Revenue Service. The returns for California, its only state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2010 and beyond.

See accompanying independent accountants' review report.

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The financial statements of the District have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents

The District considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. The District has no cash equivalents at December 31, 2014.

Concentrations of Credit Risk

Financial instruments which potentially subject the District to a concentration of credit risk consist of cash and assessments receivable. The District places its cash with high credit quality institutions. Occasionally, the District's bank balances exceed the Federal Deposit Insurance Corporation insured limits. The District has not experienced and does not anticipate any losses relating to cash held in these accounts.

For the year ended December 31, 2014, approximately 54% and 24% of the District's purchases were from two major vendors. At December 31, 2014, a total of \$28,186 and \$30,834 is due to these vendors and is included in accounts payable in these financial statements.

Concentrations of credit risk with respect to assessments receivable are limited since the District derives the majority of its revenues from special assessments billed by the County of Los Angeles on its annual property tax bills (see Note 3).

See accompanying independent accountants' review report.

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessment Revenue and Assessments Receivable

The District receives its support primarily from real estate special assessments (the "assessment") levied by the County of Los Angeles on properties located within the District in accordance with City Ordinance 171678. Parcels owned by government or public agencies are billed directly by the City of Los Angeles.

The assessment levied by the County is recorded by the District when earned. The County remits the assessment to the City of Los Angeles which disburses to the District upon receipt. Delinquent taxes are treated as unpaid taxes and, as such, collection is enforceable under Los Angeles County law. At December 31, 2014 the District had an assessment receivable balance of \$168,998. Due to the uncertainty of collection of delinquent assessments, management has reserved \$154,626 of the receivable, resulting in a \$14,372 balance at December 31, 2014. Any amounts collected in excess of the net receivable are recognized upon collection.

Subsequent Events

The District has evaluated events subsequent to December 31, 2014, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 12, 2015, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

NOTE 3 - MAJOR REVENUE SOURCE

For the year ended December 31, 2014, 93.6% and 6% of the District's revenues were billed and collected by the County of Los Angeles and the City of Los Angeles, respectively.

NOTE 4 - COMMITMENTS

In January 2007, the District entered into a service agreement with the Hollywood Property Owners Alliance to provide services to the District. The agreement was renewed on December 31, 2014 through December 31, 2015. Monthly payments of \$13,083 are due on the first of each month.

SUNSET & VINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - COMMITMENTS (Continued)

In May 2013, the District renewed a service agreement with Andrews International to provide security services to the District through April 30, 2018. Payments are due within 30 days of each weekly invoice.

In May 2014, the District renewed a service agreement with CleanStreet to provide maintenance services to the District through December 31, 2018. Payments are due within 30 days of each monthly invoice.

These service agreements may be terminated by the District upon 30-90 days notice.