

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
(A Non-profit Corporation)**

FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Los Angeles, California

We have reviewed the accompanying financial statements of Downtown Los Angeles Property Owners Association, dba LA Fashion District Business Improvement District (the "Association") (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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 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 the 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 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 accounting principles generally accepted in the United States of America. 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 accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The 2014 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated March 9, 2015. We have not performed any auditing procedures on the financial statements since March 9, 2015.

GTL, LLP

Certified Public Accountants
March 7, 2016

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Statements of Financial Position
December 31, 2015 and 2014**

	2015	2014
ASSETS	Reviewed	Audited
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 975,342	\$ 780,182
Assessments Receivable, net of reserve for uncollectable assessments of \$32,400 and \$20,006, for 2015 and 2014, respectively (Note 2)	-	-
Prepaid Expenses and Other Assets (Note 4)	130,083	180,384
Total Current Assets	1,105,425	960,566
Cash Investments - Other (Note 3)	723,943	1,218,000
Property and Equipment (Note 2):		
Field Equipment	369,648	333,881
Website	63,106	63,106
Leasehold Improvements	32,341	32,341
Computers	49,774	33,272
Furniture and Fixtures	22,888	22,888
	537,757	485,488
Less Accumulated Depreciation	(341,831)	(338,620)
Net Property and Equipment	195,926	146,868
Total Assets	\$ 2,025,294	\$ 2,325,434
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 246,997	\$ 208,976
Trust Account - 8th and San Pedro Median Project	22,529	22,285
Total Current Liabilities	269,526	231,261
Commitments (Note 8)		
Unrestricted Net Assets (Note 5):		
2009-2015 BID Fund Balance	1,112,108	1,224,996
2009-2015 North Santee Alley Overlay Fund Balance	64,921	114,496
Board-Designated for BID Renewal	100,000	100,000
Board-Designated for Future Project(s)	-	50,000
Board-Designated for Future Streetscape Project(s)	-	50,000
Board-Designated for MTA Grant Match	147,813	147,813
Board-Designated for Future Capital Equipment Purchases	135,000	260,000
Investment in Existing Property and Equipment	195,926	146,868
Total Unrestricted Net Assets	1,755,768	2,094,173
Total Liabilities and Net Assets	\$ 2,025,294	\$ 2,325,434

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

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Statements of Activities
Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
	Reviewed	Audited
BID REVENUES (Note 2):		
Assessment Revenue:		
Business Improvement District - Assessments	\$ 3,044,516	\$ 3,044,225
Collection of Prior Years' Unpaid Assessments	8,010	81,917
Collection of Penalties and Interest	1,879	16,934
General Benefit Revenue	107,109	42,040
Special Events Revenue and Sponsorships	17,055	-
Service Revenue - South Santee Alley	82,220	75,000
Merchants & Food Vendors Trash Pick-Up	15,455	18,365
Investment Income	15,059	3,753
Other Revenues	19,792	13,747
BID Revenues Sub-Total	<u>3,311,095</u>	<u>3,295,981</u>
OLVERLAYS REVENUES (Note 2):		
North Santee Alley Overlay Assessments	231,382	281,382
North Santee Alley - General Benefit Rev	12,577	-
South Santee Alley - General Benefit Rev	11,700	-
South Santee Alley Overlay Assessments	213,466	263,466
Overlays Revenues Sub-Total	<u>469,125</u>	<u>544,848</u>
Total Revenues	<u>3,780,220</u>	<u>3,840,829</u>
BID EXPENSES (Note 2):		
Cleaning	1,564,671	1,464,030
Safety	1,233,614	1,148,565
Management	226,960	204,778
Communication	209,331	197,782
Special Projects	166,505	161,766
Provision for Uncollectable Assessments	91,988	90,562
Depreciation and Amortization	75,879	58,163
City and County Collection Costs	30,977	31,117
BID Expenses Sub-Total	<u>3,599,925</u>	<u>3,356,763</u>
OVERLAYS EXPENSES (Note 2):		
North Santee Alley Overlay	293,534	248,814
South Santee Alley Overlay	225,166	263,466
Overlays Expenses Sub-Total	<u>518,700</u>	<u>512,280</u>
Total Expenses	<u>4,118,625</u>	<u>3,869,043</u>
(Decrease) in Net Assets	(338,405)	(28,214)
UNRESTRICTED NET ASSETS - Beginning of Year	<u>2,094,173</u>	<u>2,122,387</u>
UNRESTRICTED NET ASSETS - End of Year	<u>\$ 1,755,768</u>	<u>\$ 2,094,173</u>
Supplemental Note:		
(Decrease) in Net Assets (Excluding Overlays)	\$ (288,830)	\$ (60,782)

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

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
	Reviewed	Audited
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (338,405)	\$ (28,214)
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents (Used-in)		
Provided by Operating Activities:		
Depreciation and Amortization	75,879	58,163
Gain on Sale of Equipment	(9,600)	(3,000)
Changes in Assets and Liabilities:		
Prepaid Expenses and Other Assets	50,301	(32,328)
Accounts Payable and Accrued Expenses	38,021	74,354
Trust Account - 8th and San Pedro Median Project	244	(2,588)
	<u> </u>	<u> </u>
Net Cash and Cash Equivalents (Used-in) Provided by Operating Activities	<u>(183,560)</u>	<u>66,387</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemptions/(Purchases) of Investment CDs	494,057	(222,000)
(Purchases) of Equipment	(124,937)	(68,367)
Proceeds from Sale of Equipment	9,600	3,000
	<u> </u>	<u> </u>
Net Cash and Cash Equivalents Provided by (Used-in) Investing Activities	<u>378,720</u>	<u>(287,367)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	195,160	(220,980)
CASH AND CASH EQUIVALENTS, beginning of year	<u>780,182</u>	<u>1,001,162</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 975,342</u></u>	<u><u>\$ 780,182</u></u>

SUPPLEMENTAL CASH FLOW DISCLOSURE INFORMATION:

The Association disposed of certain fully depreciated equipment during 2015 and 2014 with original costs of \$72,668 and \$23,936, respectively.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(1) NATURE OF ORGANIZATION

Downtown Los Angeles Property Owners Association, (the "Association"), doing business as LA Fashion District Business Improvement District, is a 501(c)(6) tax-exempt nonprofit mutual benefit corporation dedicated to helping the community be a clean, safe, and friendly place to work, shop, do business and live through cleaning, safety and marketing programs. Launched in January 1996, the LA Fashion District Business Improvement District ("BID") was the first property-based BID in Los Angeles.

A 15-member Board of Directors, consisting of LA Fashion District property owners, administers the management of the BID. An eight-member management team directs the day-to-day operation of BID programs and serves as a liaison for law enforcement, industry associations and city government.

The specific purpose of the Association is to advocate, facilitate and/or direct improved public safety, sidewalk, graffiti and streetscape cleaning programs, and other projects that contribute to a cleaner, safer, well-managed section of Los Angeles known as the Fashion District. The Association consists of property owners located within the Fashion District's 100 block BID.

The Association's viability and its revenues depend upon renewal of the BID by the member property owners and the Los Angeles City Council, and continuation of a performance agreement with the City to administer the BID funds and services in accordance with the Management District Plan. The City Council approved a fifth renewal of the BID for a five-year term beginning January 1, 2014 through December 31, 2018.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Reclassification

Certain prior year account balances may have been reclassified to conform to the current year presentation or to more accurately present the nature of the account balances.

Revenue Recognition

Revenues are recorded when earned and consist of real estate special assessments levied on properties based on location and benefits received, as approved by property owners and the City of Los Angeles in the Management District Plan.

Parcels with footage fronting the North Santee Alley pay added assessments to fund additional services inside the North Santee Alley as a separate overlay under the Management District Plan. The 2015 Revenue was composed of \$231,382 billed overlay assessments and \$12,577 General Benefit funds for 2015 and 2014. The 2014 Revenue was composed of \$281,382 billed overlay assessments. The 2015 billed overlay assessments were \$50,000 less than 2014 due to a one-time adjustment to reduce Reserve Funds.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Parcels with footage fronting the South Santee Alley pay added assessments to fund additional services inside the South Santee Alley as a separate overlay under the Management District Plan. Under agreement between the Association and the Santee Maple Alley Association ("SAA"), the Association receives overlay assessments from the City and transfers these overlay assessments to SAA. The 2015 Revenue was composed of \$213,466 billed overlay assessments and \$11,700 General Benefit funds for 2015 and 2014. The 2014 Revenue was composed of \$263,466 billed overlay assessments. The 2015 billed overlay assessments were \$50,000 less than 2014 due to a one-time adjustment to reduce Reserve Funds.

The City and County of Los Angeles coordinate the levy and collection of all current-year assessments and prior years' unpaid assessments, penalties and interest, which for the years ended December 31, 2015 and 2014 totaled \$3,054,405 and \$3,143,076, respectively (excluding the Santee Alley Overlays). The costs directly associated with the administration of this program were reimbursed to the City and County of Los Angeles, \$30,977 and \$31,117 for the years ended December 31, 2015 and 2014, respectively.

Assessments Receivable and Allowance for Doubtful Accounts

Management believes that uncollected assessments relating to certain parcels may not be collected and, accordingly, has established reserves for uncollectable assessments receivable. The Association's policy, consistent with industry practice, is to reserve 100% of unpaid assessments receivable. At December 31, 2015 and 2014, the reserves for uncollectable assessments receivable were \$32,400 and \$20,006, respectively and composed of only outstanding private-parcel assessments.

General Benefit Revenue

Per the 2014 through 2018 Management Plan, the 2015 and 2014 billed assessments (excluding the Overlays) were reduced by \$73,670 and \$75,479 or 2.42%, respectively for the estimated General Benefit component within the Service Programs. The Association is required to use "non-assessment" funds to pay for the General Benefit component. However, for years 2015 and 2014 the City of LA reimbursed the Association for these funds amounting to \$107,109 and \$42,040, respectively.

Other Revenues

For the years ended December 31, 2015 and 2014, the Association received Other Revenues of \$19,792 and \$13,747, respectively derived from revenue from merchants to advertise on the Association's website, gains from retired equipment and other miscellaneous receipts.

Concentration of Credit Risk

Financial instruments that subject the Association to potential concentration of credit risk consists principally of cash and cash equivalents, money market accounts and investments in certificates of deposit. The Association maintains its cash, money market accounts and investments in Union Bank, Merrill Lynch and HAB Bank. Bank balances and money market accounts are subject to coverage by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) up to statutory limits and by other bank-provided private insurance.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
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Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank, money market accounts and short-term (maturing in three months or less) certificates of deposit.

Property and Equipment

Property and equipment is depreciated using the straight-line method over the estimated useful lives (3 to 5 years) of the individual assets. Leasehold improvements are amortized over the estimated useful lives, or the term of the related leases, whichever is shorter, using the straight-line method.

Advertising

The Association expenses all costs of advertising and promotion as incurred. Such costs were \$3,295 and \$0 for years 2015 and 2014, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Legal Assertions

Various claims, generally incidental to the conduct of normal business, are pending or threatened against the Association from time to time. While ultimate liability, if any, is presumably indeterminable, in the opinion of management, the ultimate resolutions will not have a materially adverse effect on the financial condition of the Association.

Subsequent Events

The Association has evaluated events subsequent to December 31, 2015, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 7, 2016 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.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
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Notes to the Financial Statements
Years Ended December 31, 2015 and 2014**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Fair Value Standards under FASB Accounting Standards Codification (ASC) 820-10 establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Quoted market prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(3) CASH AND CASH EQUIVALENTS AND INVESTMENTS FAIR VALUE MEASUREMENTS

At December 31, 2015 and 2014, the Association had cash and cash equivalents and investments as follows:

<u>Cash and Cash Equivalents</u>	2015	2014
Certificates of Deposit (yield rates 0.25% - 0.70%)	\$ 489,000	\$ 498,000
Money Market Account - Merrill Lynch	437,278	245,784
Money Market Account - 8th & S. Pedro Trust Acct	22,529	22,205
Checking Accounts - Union Bank	25,535	13,193
Petty Cash	1,000	1,000
	<u>975,342</u>	<u>780,182</u>
 <u>Cash Investments - Other</u>		
Certificates of Deposit (yield rates 0.65% - 1.20%), with maturity dates longer than 3 months.	723,943	1,218,000
Total	<u>\$ 1,699,285</u>	<u>\$ 1,998,182</u>

The Certificates of Deposit and Investments-Other at December 31, 2015 had maturities in September 2016 through August 2017 and are planned to be held to maturity. At December 31, 2015 and 2014, the certificates of deposit and investments-other are classified as Level 2 assets, and there were no transfers in or out of Level 2 during the year.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
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NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014**

(4) PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets at December 31, 2015 and 2014 were as follows:

	2015	2014
Collected Assessments to be Remitted by the City of LA	\$ 27,668	\$ 71,891
General Benefit Revenue to be Remitted by the City of LA	42,395	42,040
Prepaid Insurance	33,667	33,438
Other Receivables	4,497	11,575
Prepaid Rent	8,947	8,681
Refundable Deposits	5,600	5,600
Other Prepaid Expenses	7,309	7,159
Total	\$ 130,083	\$ 180,384

(5) UNRESTRICTED NET ASSETS

The Association allocates certain unrestricted net assets to Board-Designated reserves to facilitate the spending policies established by the Board of Directors. The net assets and changes therein have been classified and are reported as follows:

- 2009-2015 BID Fund Balance - In accordance with the State of California Streets and Highways Code Section 36741, the Association is required to disclose the amount of any BID funds balance to be carried over from a previous fiscal year. Accordingly, the Association is carrying over an unspent BID funds balance of \$1,112,108 from 2015 to 2016 and carried over \$1,224,996 from 2014 to 2015. These funds are being used to supplement the annually billed BID assessments to meet operating needs.
- 2009-2015 North Santee Alley Overlay Fund Balance - The Association is carrying over an unspent funds balance of \$64,921 from 2015 to 2016 and carried over \$114,496 from 2014 to 2015. These funds are being used to supplement the annually billed North Alley Overlay assessments to meet operating needs.
- Board-Designated for BID Renewal - As of December 31, 2015 and 2014, the Board has designated a \$100,000 reserve to be used for the next BID Renewal.
- Board-Designated for Future Project(s) - As of December 31, 2015, the Board has eliminated a \$50,000 reserve previously designated for future project(s). These funds have been transferred to the 2009-2015 BID Fund Balance.
- Board-Designated for Future Streetscaping Project(s) - As of December 31, 2015, the Board has eliminated a \$50,000 reserve previously designated to serve as matching funds for future streetscaping projects that may become available. These funds have been transferred to the 2009-2015 BID Fund Balance.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

Notes to the Financial Statements

Years Ended December 31, 2015 and 2014

(5) UNRESTRICTED NET ASSETS (CONTINUED)

- Board-Designated for MTA Grant Match - The Board has designated \$100,000 to be used to obtain \$1.3 million in funding for streetscaping from Olympic Boulevard to Pico Boulevard and from Santee Street to Maple Street (Phase 1); (in 2013, \$2,187 was spent from this reserve to set up a system of removable vehicle-stopping poles at the entrances of the North and South Santee Alleys, leaving \$97,813), plus \$50,000 to obtain \$1.6 million in funding for future streetscaping on Los Angeles Street between 7th Street and Olympic Boulevard (Phase 2).
- Board-Designated for Future Capital Equipment Purchases - As of December 31, 2015 and 2014, the Board has designated \$135,000 and \$260,000, respectively for acquisition of capital equipment in subsequent years.
- Investment in Existing Property and Equipment - Investment in property and equipment represents the carrying value of property and equipment, at cost, net of accumulated depreciation and amortization.

(6) FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses for the years ended December 31, 2015 and 2014 are as follows:

	2015		2014	
Program	\$ 3,372,965	93.7%	\$ 3,151,985	93.9%
Management	226,960	6.3%	204,778	6.1%
Total Functional Expenses	3,599,925	100%	3,356,763	100%
North Santee Alley Overlay	293,534		248,814	
South Santee Alley Overlay	225,166		263,466	
Total Overlay Expenses	518,700		512,280	
Total Expenses	\$ 4,118,625		\$ 3,869,043	

(7) RETIREMENT PLAN

The Association sponsors a defined contribution SIMPLE IRA retirement plan covering all of the Association's employees, after one year of employment. The Plan allows employee contributions up to statutory limits and employer matching contributions up to 3% of employees' compensation. For the years ended December 31, 2015 and 2014, the Association made contributions to the plan totaling \$16,718 and \$16,798, respectively.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Years Ended December 31, 2015 and 2014**

(8) LEASE COMMITMENTS

In December 2013, the Association entered into an operating lease agreement with a related party for its administrative office for a five-year term, ending on February 28, 2019. Under the provisions of the lease, in 2015 the Association made monthly rental payments of \$1,854, subject to a 3% increase per year. See also Note 11, Related Party Transaction.

In January 2014, the Association entered into an operating lease agreement with an unrelated party for its field office for a five year term, ending on February 28, 2019. Under the provision of the lease, in 2015 the Association made monthly rental payments of \$5,543, subject to a 3% increase per year.

In January 2014, the Association entered into an operating lease agreement with an unrelated party for use of a vacant lot to park personnel vehicles and to store trash roll-off containers for a five year term, ending on January 31, 2019. Under the provision of the lease, in 2015 the Association made monthly rental payments of \$1,550, subject to a fixed \$50 increase per year.

Future minimum lease payments are as follows:

Year ending December 31,	Facilities leases	Lot used for vehicle parking & trash bins	Totals
2016	\$ 90,984	\$ 19,150	\$ 110,134
2017	93,712	19,750	113,462
2018	96,522	20,350	116,872
2019	16,165	1,700	17,865
	\$ 297,383	\$ 60,950	\$ 358,333

Facilities rent expense for the years ended December 31, 2015 and 2014 was \$88,331 and \$86,176, respectively.

(9) INCOME TAXES

The Association is exempt from taxes under Section 501(c)(6) of the Internal Revenue Code (IRC), and from federal and state income taxes under Section 501(a) of the IRC and corresponding sections of 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 Association's federal income tax returns for tax years 2012 and beyond remain subject 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 2011 and beyond.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
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Years Ended December 31, 2015 and 2014**

(10) MAJOR VENDORS

For the years ended December 31, 2015 and 2014, approximately 57% and 56%, respectively of the Association's expenses (not including the Santee Alley Overlays) were from two major vendors: Chrysalis (cleaning services) and Universal Protection Service LP (safety services) amounting to \$2,034,872 in 2015 and \$1,868,278 in 2014. At December 31, 2015 and 2014, there were \$124,300 and \$106,377, respectively due to these vendors, which were included in accounts payable and accrued expenses in the Statements of Financial Position.

(11) RELATED PARTY TRANSACTION

The Association's Board of Directors has a conflict of interest policy in place that is intended to assure the Association stakeholders that the decisions of the Association are made objectively and with full knowledge of the involvement, if any, of the Board of Directors and staff. At times during the course of the year, the Association may determine that doing business with a Board member is in the best interest of the Association. In accordance with the Association's bylaws, such transactions are reviewed and approved by the Association's Board of Directors, with the involved Director(s) recusing themselves from voting.