

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

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

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

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INDEPENDENT AUDITORS' REPORT

William
Tilley
CPA

To the Board of Directors of
Downtown Los Angeles Property Owners Association
Db a LA Fashion District Business Improvement District
Los Angeles, California

J. Pearse
Leonard
CPA

James T.
Chang
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Fabio
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Manny
Gleicher
CPA (Retired)

We have audited 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 statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

GTL, LLP

Los Angeles, CA
March 12, 2014

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**
Statements of Financial Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 1,001,162	\$ 1,271,768
Assessments Receivable, net of reserve for uncollectible assessments of \$74,045 and \$123,411, for 2013 and 2012, respectively (Note 2)	-	-
Prepaid Expenses and Other Assets (Note 4)	148,056	236,503
Total Current Assets	1,149,218	1,508,271
Investments - Other (Note 3)	996,000	498,000
Property and Equipment (Note 2):		
Field Equipment	317,538	287,130
Website	36,000	-
Leasehold Improvements	32,341	32,341
Computers	31,464	31,464
Furniture and Fixtures	23,714	23,714
	441,057	374,649
Less Accumulated Depreciation	(304,393)	(291,991)
Net Property and Equipment	136,664	82,658
Total Assets	\$ 2,281,882	\$ 2,088,929
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 134,622	\$ 119,913
Trust Account - 8th and San Pedro Median Project	24,873	24,881
Total Current Liabilities	159,495	144,794
Commitments (Note 8)		
Unrestricted Net Assets (Note 5):		
2009-2013 BID Fund Balance	1,441,982	1,163,247
2009-2013 North Santee Alley Overlay Fund Balance	81,928	40,230
Board-Designated for 2014 BID Renewal	-	175,000
Board-Designated for Future Streetscaping Project(s)	50,000	50,000
Board-Designated for MTA Grant Match	147,813	150,000
Board-Designated for Capital Equipment Purchases	264,000	283,000
Investment in Property and Equipment	136,664	82,658
Total Unrestricted Net Assets	2,122,387	1,944,135
Total Liabilities and Net Assets	\$ 2,281,882	\$ 2,088,929

See Independent Auditors' Report and Notes to the Financial Statements

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Statements of Activities
Years Ended December 31, 2013 and 2012**

	2013	2012
BID REVENUES (Note 2):		
Assessment Revenue:		
Business Improvement District - Assessments	\$ 3,141,683	\$ 3,139,859
Collection of Prior Years' Unpaid Assessments	69,671	57,239
Collection of Penalties and Interest	52,385	28,967
Service Revenue - South Santee Alley	73,500	72,875
Food Vendors Trash Pick-Up	8,900	17,560
Merchants Trash Pick-Up	10,286	14,090
Investment Income	5,993	8,609
Other Revenues	17,406	19,695
BID Revenues Sub-Total	3,379,824	3,358,894
OLVERLAYS REVENUES (Note 2):		
North Santee Alley Overlay	288,360	288,360
South Santee Alley Overlay	250,560	250,560
Overlays Revenues Sub-Total	538,920	538,920
 Total Revenues	 3,918,744	 3,897,814
BID EXPENSES (Note 2):		
Cleaning	1,449,317	1,408,481
Safety	1,058,501	1,052,174
Administration	200,349	210,967
Special Projects	169,181	163,677
Image and Communications	159,811	152,554
Provision for Uncollectible Assessments	107,196	127,569
BID Renewal	41,219	43,563
Depreciation and Amortization	28,593	35,494
City and County Collection Costs	24,102	24,089
Parking Signage Grant Expenses	5,000	5,000
BID Expenses Sub-Total	3,243,269	3,223,568
OVERLAYS EXPENSES (Note 2):		
North Santee Alley Overlay	246,663	284,788
South Santee Alley Overlay	250,560	250,560
Overlays Expenses Sub-Total	497,223	535,348
 Total Expenses	 3,740,492	 3,758,916
Increase in Net Assets	178,252	138,898
UNRESTRICTED NET ASSETS - Beginning of Year	1,944,135	1,805,237
UNRESTRICTED NET ASSETS - End of Year	\$ 2,122,387	\$ 1,944,135

See Independent Auditors' Report and Notes to the Financial Statements

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Statements of Cash Flows
Years Ended December 31, 2013 and 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 178,252	\$ 138,898
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by (Used in) Operating Activities:		
Depreciation and Amortization	28,593	35,494
Gain on Sale of Equipment	(2,400)	-
Changes in Assets and Liabilities:		
Prepaid Expenses and Other Assets	88,448	(125,884)
Accounts Payable and Accrued Expenses	14,709	(54,370)
Trust Account - 8th and San Pedro Median Project	(8)	12
	<u>307,594</u>	<u>(5,850)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investment CDs	(498,000)	-
Purchases of Equipment	(82,600)	(50,349)
Proceeds from Sale of Equipment	2,400	-
	<u>(578,200)</u>	<u>(50,349)</u>
Net Cash and Cash Equivalents Used in Investing Activities		
	<u>(578,200)</u>	<u>(50,349)</u>
Net (Decrease) in Cash and Cash Equivalents	(270,606)	(56,199)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,271,768</u>	<u>1,327,967</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,001,162</u>	<u>\$ 1,271,768</u>

SUPPLEMENTAL CASH FLOW DISCLOSURE INFORMATION:

The Association disposed of certain fully depreciated equipment during 2013 and 2012 with original costs of \$16,192 and \$62,912, respectively.

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

**Notes to the Financial Statements
Years Ended December 31, 2013 and 2012**

(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) nonprofit mutual benefit corporation dedicated to making the community 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 needed to create a safer, cleaner, 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 balances may have been reclassified to conform to the current year presentation or to more accurately present the nature of the account balance.

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 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.

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

Notes to the Financial Statements

Years Ended December 31, 2013 and 2012

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Parcels with footage inside 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 assessments from the City and transfers these assessments to SAA.

The City and County of Los Angeles coordinate the levy and collection of all assessments, penalties and interest, which for the years ended December 31, 2013 and 2012 totaled \$3,263,739 and \$3,226,065, respectively. The costs directly associated with the administration of this program were reimbursed to the City and County of Los Angeles \$24,102 and \$24,089 for the years ended December 31, 2013 and 2012, 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 uncollectible assessments receivable. The Association's policy, consistent with industry practice, is to reserve 100% of unpaid assessments receivable. At December 31, 2013 and 2012, the reserves for uncollectible assessments receivable were \$74,045 and 123,411, respectively and composed of only outstanding private-parcel assessments.

Parking Signage Grant

The Association was awarded a \$98,000 grant from the Federal Government available from August 2009 through August 2014 to provide uniform parking signage in the District. Funding is on a reimbursement arrangement and is received and recorded as related expenses are incurred. For the years ended December 31, 2013 and 2012, the Association spent and was reimbursed \$5,000 each year. \$19,528 of the grant remains available, which the Association anticipates utilizing before August 2014.

Other Revenues

For the years ended December 31, 2013 and 2012, the Association received \$17,406 and \$19,695, respectively in grants 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 and Merrill Lynch. 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
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to the Financial Statements
Years Ended December 31, 2013 and 2012**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. There were no expenses incurred for advertising and promotion for the years ended December 31, 2013 and 2012.

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 resolution 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, 2013, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 12, 2014 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, 2013 and 2012

(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, 2013 and 2012, the Association had cash and cash equivalents and investments as follows:

<u>Cash and Cash Equivalents</u>	<u>2013</u>	<u>2012</u>
Certificates of Deposit (yield rates 0.25% - 0.30%)	\$ 498,000	\$ 995,294
Preferred Deposit for Business Account - Merrill Lynch	444,979	246,851
Money Market Account - Union Bank	24,793	24,781
Checking Accounts - Union Bank	32,390	3,842
Petty Cash	1,000	1,000
	<u>\$ 1,001,162</u>	<u>\$ 1,271,768</u>
 <u>Investments - Other</u>		
Certificates of Deposit (yield rates 0.40% - 0.45%), with maturity dates longer than 3 months.	<u>\$ 996,000</u>	<u>\$ 498,000</u>

The certificates of deposit and investments-other at December 31, 2013 had maturities in April through May 2014 and are planned to be held to maturity. At December 31, 2013 and 2012, 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
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012**

(4) PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets at December 31, 2013 and 2012 were as follows:

	2013	2012
Collected Assessments to be Remitted by the City	\$ 83,040	\$ 149,410
Prepaid Insurance	30,923	27,723
Other Receivables	13,434	19,295
Prepaid Rent	8,681	8,656
Refundable Deposits	5,600	5,600
Other Prepaid Expenses	6,378	25,819
Total	<u>\$ 148,056</u>	<u>\$ 236,503</u>

(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:

- 2009-2013 BID Fund Balance - In accordance with the State of California Streets and Highways Code Section 36740, 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 \$1,441,982 from 2013 to 2014 and carried over \$1,163,247 from 2012 to 2013. These funds are being used to supplement the annually billed BID assessments to meet operating needs.
- 2009-2013 North Santee Alley Overlay Fund Balance - The Association is carrying over an unspent funds balance of \$81,928 from 2013 to 2014 and carried over \$40,230 from 2012 to 2013. These funds are being used to supplement the annually billed North Alley Overlay assessments to meet operating needs.
- Board-Designated for 2014 BID Renewal - As of December 31, 2013, the BID had successfully renewed for another 5 year term from 2014 through 2018; thus, this reserve was no longer needed.
- Board-Designated for Future Streetscaping Project(s) - The Board has designated a \$50,000 reserve to use as matching funds for future streetscaping projects that may become available.
- 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 (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), and \$50,000 to obtain \$1.6 million in funding for future streetscaping on Los Angeles Street between 7th Street and Olympic Boulevard.

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

**Notes to the Financial Statements
Years Ended December 31, 2013 and 2012**

(5) UNRESTRICTED NET ASSETS (CONTINUED)

- Board-Designated for Capital Equipment Purchases - As of December 31, 2013, the Board has designated \$264,000 for acquisition of capital equipment in 2014.
- Investment in 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, 2013 and 2012 are as follows:

	2013		2012	
Program	\$ 3,289,583	94.3%	\$ 3,297,389	94.0%
Administration	200,349	5.7%	210,967	6.0%
Total Functional Expenses	3,489,932	100%	3,508,356	100%
South Santee Alley Overlay	250,560		250,560	
Total Expenses	\$ 3,740,492		\$ 3,758,916	

(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' salaries. For the years ended December 31, 2013 and 2012, the Association made contributions to the plan totaling \$17,402 and \$14,397, respectively.

(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, the Association makes monthly rental payments of \$1,800, 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, the Association makes monthly rental payments of \$5,381, subject to a 3% increase per year.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
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Years Ended December 31, 2013 and 2012**

(8) LEASE COMMITMENTS (CONTINUED)

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, the Association makes monthly rental payments of \$1,500, 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
2014	\$ 86,176	\$ 18,000	\$ 104,176
2015	88,331	18,550	106,881
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
	<u>\$ 471,890</u>	<u>\$ 97,500</u>	<u>\$ 569,390</u>

Facilities rent expense for the years ended December 31, 2013 and 2012 was \$86,176 and \$83,688, 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 2010 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 2009 and beyond.

(10) MAJOR VENDORS

For the years ended December 31, 2013 and 2012, approximately 54% and 57%, respectively of the Association's expenses (not including the Santee Alley Overlays) were from two major vendors for cleaning and safety services amounting to \$1,740,506 and \$1,825,000, respectively. At December 31, 2013 and 2012, there were \$50,668 and \$47,470, respectively due to these vendors, which were included in accounts payable and accrued expenses in the Statements of Financial Position.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Years Ended December 31, 2013 and 2012**

(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.

A Director on the Board of the Association is an owner of the building where the Association is a tenant via a long term office lease (see Footnote No. 8, Lease Commitments, Administrative Office), and the related rent expense paid for the years ended December 31, 2013 and 2012 was \$21,600 each year.