

**THE MAYOR'S FUND
FOR LOS ANGELES**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

THE MAYOR'S FUND FOR LOS ANGELES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Mayor's Fund For Los Angeles

Report on the Financial Statements

We have audited the accompanying financial statements of The Mayor's Fund For Los Angeles which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Mayor's Fund For Los Angeles as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Mayor's Fund For Los Angeles' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

November 17, 2016
Los Angeles, California

THE MAYOR'S FUND FOR LOS ANGELES

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Summarized Totals at June 30, 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	8,099,733	\$ 3,820,151
Investments	609,087	-
Pledges Receivable (Net)	8,907,687	6,104,467
Other Assets	<u>10,306</u>	<u>2,589</u>
<i>TOTAL ASSETS</i>	<u>\$ 17,626,813</u>	<u>\$ 9,927,207</u>
 LIABILITIES AND NET ASSETS 		
LIABILITIES:		
Accounts Payable and Accrued Liabilities	\$ 1,599,307	\$ 12,972
NET ASSETS:		
Unrestricted - Undesignated	2,487,789	2,085,421
Unrestricted - Board Designated	750,000	-
Temporarily Restricted	<u>12,789,717</u>	<u>7,828,814</u>
<i>TOTAL NET ASSETS</i>	<u>16,027,506</u>	<u>9,914,235</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 17,626,813</u>	<u>\$ 9,927,207</u>

The Accompanying Notes are an Integral Part of These Financial Statements

THE MAYOR'S FUND FOR LOS ANGELES

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
PUBLIC SUPPORT AND OTHER:				
Contributions	\$ 505,131	\$ 11,675,485	\$ 12,180,616	\$ 14,569,681
Net Realized and Unrealized Gains on Investments	3,189	-	3,189	-
Interest and Dividends	2,176	-	2,176	-
Net Assets Released from Purpose Restrictions	6,714,582	(6,714,582)	-	-
TOTAL PUBLIC SUPPORT AND OTHER	7,225,078	4,960,903	12,185,981	14,569,681
EXPENSES:				
Program Services	5,554,156	-	5,554,156	4,300,918
Supporting Services:				
Management and General	311,078	-	311,078	228,045
Fundraising	207,476	-	207,476	126,483
TOTAL EXPENSES	6,072,710	-	6,072,710	4,655,446
CHANGE IN NET ASSETS	1,152,368	4,960,903	6,113,271	9,914,235
Net Assets - Beginning of Year	2,085,421	7,828,814	9,914,235	-
NET ASSETS - END OF YEAR	\$ 3,237,789	\$ 12,789,717	\$ 16,027,506	\$ 9,914,235

The Accompanying Notes are an Integral Part of These Financial Statements

THE MAYOR'S FUND FOR LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016				Total Expenses	2015 Total Expenses
	Program Services	Supporting Services				
		Management and General	Fundraising	Total		
Salaries	\$ 649,930	\$ 124,516	\$ 142,777	\$ 267,293	\$ 917,223	\$ 323,315
Employee Benefits	124,313	14,968	11,999	26,967	151,280	39,378
TOTAL PERSONNEL COSTS	774,243	139,484	154,776	294,260	1,068,503	362,693
Program Costs	4,718,385	25,000	-	25,000	4,743,385	4,067,661
Communications	33,877	9,482	7,600	17,082	50,959	32,789
Accounting	-	48,700	-	48,700	48,700	22,380
Contract Services	-	36,875	-	36,875	36,875	12,525
Legal	-	28,798	-	28,798	28,798	83,464
Fundraising	-	-	27,515	27,515	27,515	24,851
Other Expense	4,989	16,396	2,501	18,897	23,886	17,288
Insurance	12,907	3,613	2,896	6,509	19,416	9,859
Office Expense	9,755	2,730	2,188	4,918	14,673	11,437
Dues and Membership	-	-	10,000	10,000	10,000	10,499
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 5,554,156	\$ 311,078	\$ 207,476	\$ 518,554	\$ 6,072,710	
	92%	5%	3%	8%	100%	
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 4,300,918	\$ 228,045	\$ 126,483	\$ 354,528		\$ 4,655,446
	92%	5%	3%	8%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

THE MAYOR'S FUND FOR LOS ANGELES

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 6,113,271	\$ 9,914,235
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Net Realized and Unrealized Gains on Investments	(3,189)	
Change in Present Value Discount on Pledges Receivable	(40,683)	93,533
Contributed Stock	(105,898)	-
Increase in:		
Pledges Receivable	(2,762,537)	(6,198,000)
Other Assets	(7,717)	(2,589)
Increase in:		
Accounts Payable and Accrued Liabilities	<u>1,586,335</u>	<u>12,972</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 4,779,582	 3,820,151
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	<u>(500,000)</u>	<u>-</u>
 NET CASH USED IN INVESTING ACTIVITIES	 (500,000)	 -
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 4,279,582	 3,820,151
Cash and Cash Equivalents - Beginning of Year	<u>3,820,151</u>	<u>-</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 8,099,733</u>	 <u>\$ 3,820,151</u>

The Accompanying Notes are an Integral Part of These Financial Statements

THE MAYOR'S FUND FOR LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - ORGANIZATION

The Mayor's Fund For Los Angeles (the Mayor's Fund) is dedicated to improving the lives of Los Angeles residents through public private partnerships that yield innovative, transformative and impact-driven solutions to the City's most pressing challenges.

The Mayor's Fund works throughout Los Angeles, enhancing economic prosperity, government efficiency, community resiliency and overall quality of life for residents. It sponsors programs that address both current and future needs, insisting on rigorous standards with measurable impact.

The Mayor's Fund was initially established under the California Community Foundation's Community Initiatives Fund and subsequently was incorporated on June 9, 2014, followed by the granting of its independent nonprofit status by the IRS under the 501(c)(3) public benefit designation on October 27, 2014.

As mayoral administrations change over time, the Mayor's Fund will maintain its independence and non-partisan nature, focusing on the long-term health of the City and its residents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Mayor's Fund are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted - Undesignated Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Unrestricted - Board Designated Net Assets.** The Board of Directors has designated \$500,000 of unrestricted net assets for operating reserves and \$250,000 for a new program – Youth Employment Pilot.
- **Temporarily Restricted Net Assets.** The Mayor's Fund reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. The Fund has \$12,789,717 of temporarily restricted net assets at June 30, 2016.

THE MAYOR'S FUND FOR LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Mayor's Fund to expend part of the income (or other economic benefits) derived from the donated assets. The Mayor's Fund has no permanently restricted net assets at June 30, 2016.

(c) CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2016 approximates its fair value.

The Mayor's Fund maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. The Mayor's Fund reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable. Discounts increase contribution revenue when the pledge is received.

At June 30, 2016, the Mayor's Fund evaluated the collectability of pledges receivable and no allowance for uncollectible pledges was considered necessary.

(f) INCOME TAXES

The Mayor's Fund is exempt from federal taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

(g) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Mayor's Fund's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Mayor's Fund uses salary dollars to allocate indirect costs.

THE MAYOR'S FUND FOR LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(i) COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Mayor's Fund's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(j) NEW ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For the Mayor's Fund, the ASU will be effective June 30, 2019.

(k) SUBSEQUENT EVENTS

The Mayor's Fund evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2016, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 17, 2016, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Mayor's Fund has implemented the accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. The standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

THE MAYOR'S FUND FOR LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table presents information about the Mayor's Fund's assets that are measured at fair value on a recurring basis at June 30, 2016, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 501,945	\$ -	\$ 501,945	\$ -
Equities	107,142	107,142	-	-
TOTAL INVESTMENTS	\$ 609,087	\$ 107,142	\$ 501,945	\$ -

The fair value of equities within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The certificates of deposit within Level 2 were valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The Mayor's Fund recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2016.

NOTE 4 - PLEDGES RECEIVABLE

At June 30, 2016, pledges receivable are due to be received as follows:

Within One Year	\$ 6,265,537
One to Five Years	2,695,000
TOTAL	8,960,537
Less: Present Value Discount at 2%	(52,850)
TOTAL PLEDGES RECEIVABLE (NET)	\$ 8,907,687

THE MAYOR'S FUND FOR LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 are restricted for the following purposes:

Quality of Life	\$ 6,000,177
Economic Prosperity	4,038,772
Time Restrictions	1,934,132
Government Efficiency	714,075
Community Resiliency	<u>102,561</u>
<i>TEMPORARILY RESTRICTED NET ASSETS</i>	<u>\$ 12,789,717</u>

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Mayor's Fund sponsors an Internal Revenue Code Section 403(b) qualified defined contribution retirement plan covering all of its employees, subject to eligibility requirements. The Mayor's Fund contributes up to a 5% match for employees contributing to the plan, in accordance with plan provisions. Employer contributions under this plan for the year ended June 30, 2016 were \$32,654.