LAEDC LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

Economic Development Corporation of Los Angeles County
Audited Consolidated Financial Statements
As of and for the Years Ended June 30, 2021 and 2020
with Independent Auditor's Report

An independently owned member RSM US Alliance RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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Independent Auditor's Report

To the Board of Directors
Economic Development Corporation of Los Angeles County

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Economic Development Corporation of Los Angeles County (LAEDC), a non-profit corporation, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 audits. We conducted our audits 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. 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 LAEDC as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of LAEDC'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 solely 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 effectiveness of LAEDC's 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 LAEDC's internal control over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
September 30, 2021

	June 30	
	2021	**2020**
ASSETS		
Cash and cash equivalents	**$ 3,735,000**	$ 2,949,000
Investments - at fair value	**28,700,000**	22,373,000
Receivables	**764,000**	791,000
Property and equipment, net	**206,000**	308,000
Prepaid expenses and other assets	**198,000**	166,000
Total assets	**$ 33,603,000**	$ 26,587,000
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$ 317,000**	$ 282,000
Accrued expenses and other liabilities	**2,255,000**	1,643,000
Total liabilities	**2,572,000**	1,925,000
Net assets		
Without donor restrictions	**31,031,000**	24,662,000
Total net assets	**31,031,000**	24,662,000
Total liabilities and net assets	**$ 33,603,000**	$ 26,587,000

See notes to consolidated financial statements.

	Years ended June 30	
	2021	**2020**
Change in net assets without donor restrictions		
Operating revenue and other support		
Government grants	**$ 3,976,000**	$ 2,918,000
Non-government grants	**394,000**	622,000
Consulting and service contracts	**500,000**	817,000
Membership contributions	**976,000**	1,090,000
Sponsored event programs	**447,000**	776,000
Contributions	**855,000**	853,000
Other	**74,000**	100,000
Total operating revenue and other support	**7,222,000**	7,176,000
Operating expenses		
Program services	**6,832,000**	7,009,000
Fundraising	**222,000**	268,000
Management and general	**936,000**	825,000
Total operating expenses	**7,990,000**	8,102,000
Change in net assets without donor restrictions from operations	**(768,000)**	(926,000)
Other changes		
Net realized and unrealized investment gains	**7,158,000**	554,000
Interest and dividend income	**296,000**	454,000
Investment management and advisory fees	**(317,000)**	(348,000)
Change in net assets without donor restrictions	**6,369,000**	(266,000)
Total change in net assets	**6,369,000**	(266,000)
Net assets at beginning of the year	**24,662,000**	24,928,000
Net assets at end of the year	**$ 31,031,000**	$ 24,662,000

See notes to consolidated financial statements.

	Program Services	Fundraising	Management and General	Total
Personnel expenses	$ 3,813,000	$ 131,000	$ 507,000	$ 4,451,000
Contract and professional services	2,160,000	44,000	148,000	2,352,000
Office expenses	53,000	3,000	23,000	79,000
Travel and entertainment	6,000	2,000	2,000	10,000
Meetings and conferences	27,000	3,000	-	30,000
Business insurance	27,000	2,000	11,000	40,000
Building rent	480,000	24,000	181,000	685,000
Depreciation and amortization	86,000	4,000	32,000	122,000
Other expenses	125,000	9,000	32,000	166,000
Printing and publishing	55,000	-	-	55,000
Total	$ 6,832,000	$ 222,000	$ 936,000	$ 7,990,000

	Program Services	Fundraising	Management and General	Total
Personnel expenses	$ 4,218,000	$ 115,000	$ 486,000	$ 4,819,000
Contract and professional services	1,631,000	46,000	85,000	1,762,000
Office expenses	53,000	3,000	23,000	79,000
Travel and entertainment	45,000	5,000	7,000	57,000
Meetings and conferences	311,000	18,000	2,000	331,000
Business insurance	31,000	2,000	9,000	42,000
Building rent	479,000	56,000	161,000	696,000
Depreciation and amortization	83,000	7,000	34,000	124,000
Other expenses	68,000	16,000	18,000	102,000
Printing and publishing	90,000	-	-	90,000
Total	$ 7,009,000	$ 268,000	$ 825,000	$ 8,102,000

See notes to consolidated financial statements.

	Years ended June 30 2021	2020
Cash flows from operating activities		
Change in net assets	**$ 6,369,000**	$ (266,000)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
PPP loan forgiven and recognized as revenue	**(380,000)**	(190,000)
Net realized and unrealized investment gains	**(7,158,000)**	(554,000)
Interest and dividend income	**(296,000)**	(454,000)
Investment management and advisory fees	**317,000**	348,000
Depreciation and amortization	**122,000**	124,000
Decrease (increase) in receivables	**27,000**	522,000
Decrease (increase) in prepaid expenses and other assets	**(32,000)**	75,000
Increase (decrease) in accounts payable	**35,000**	(67,000)
Increase (decrease) in accrued expenses and other liabilities	**992,000**	(64,000)
Net cash provided by (used in) operating activities	**(4,000)**	(526,000)
Cash flows from investing activities		
Purchase of property and equipment	**(20,000)**	(23,000)
Purchases of investments	**(15,397,000)**	(2,895,000)
Proceeds from sale of investments	**16,207,000**	4,215,000
Net cash provided by investing activities	**790,000**	1,297,000
Cash flows from financing activities		
Proceeds from Paycheck Protection Program (PPP) loan	**-**	570,000
Net cash provided by financing activities	**-**	570,000
Net increase (decrease) in cash and cash equivalents	**786,000**	1,341,000
Cash and cash equivalents, at beginning of the year	**2,949,000**	1,608,000
Cash and cash equivalents, at end of the year	**$ 3,735,000**	$ 2,949,000

See notes to consolidated financial statements.

NOTE 1 ORGANIZATION PROFILE

The Economic Development Corporation of Los Angeles County (LAEDC or the Organization) is a private California public benefit corporation established in 1981 under Internal Revenue Code section 501(c)(3). The LAEDC's principal objective is to collectively advance economic opportunity and prosperity and raise standards of living for all Los Angeles (LA) County residents through programs, projects and activities of a public nature. As LA's only countywide economic development organization, the LAEDC provides collaborative, innovative and strategic economic development leadership to promote a more globally competitive, prosperous and growing LA County economy to improve the health and wellbeing of the region's residents and communities, and enable those residents to meet their basic human need for a job. The LAEDC achieves this through objective economic research and analysis, programmatic and on-the-ground technical and transactional assistance to business, education and government, and targeted public policy and issue advocacy. Since 1996, the LAEDC Business Assistance Program has positively impacted more than 250,000 direct jobs in LA County.

The LAEDC has led the development of two five-year countywide Strategic Plans for Economic Development: 2010-2014 and 2016-2020, bringing together, between the two plans, over 1,000 stakeholder organizations from industry, government, education, labor, nonprofits and foundations, environmental and environmental justice communities, faith-based groups, and a number of other community-based and focused organizations to develop, deliver and implement both plans. The implementation of the county's 2016-2020 Strategic Plan for Economic Development was led by the LAEDC's Propel LA initiative.

The World Trade Center Los Angeles (WTCLA) is an affiliate of the LAEDC, which is dedicated to attracting foreign direct investment to the Los Angeles region and trade facilitation. The WTCLA provides business assistance to international companies seeking to locate or expand operations in Los Angeles, and to local companies seeking to export products and services to the international market.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of LAEDC and WTCLA. All significant intercompany transactions and balances have been eliminated in the consolidation process.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Resources are classified for accounting and reporting purposes into two net asset categories based on the existence or absence of donor-imposed restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant items subject to management's estimates include:

- The valuation of investments that do not have readily determinable market values
- The net realizable value of receivables based on estimated collectability
- Depreciation expense based on the estimated useful life
- Functional allocation of expenses based on programs and supporting services benefited.

Concentration of Credit Risk
The accounting guidance requires the disclosure of significant concentrations of credit risk, regardless of the degree of such risk. Financial instruments, as defined by U.S. GAAP, which potentially subject LAEDC to concentrations of credit risk, consist principally of cash and cash equivalents and marketable securities. LAEDC places its cash and cash equivalents in large financial institutions located in the United States of America and monitors their credit ratings periodically.

Custodial Credit Risk
Custodial credit risk is the risk that LAEDC's investments that are in the possession of an outside party might be lost, if the counterparty to the investment or deposit transaction fails.

Financial instruments that potentially subject LAEDC to credit risk are cash deposits with banks and other financial institutions that are in excess of the federally insured limit of $250,000. LAEDC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Federal Deposit Insurance Corporation (FDIC) insures both interest-bearing and noninterest-bearing transaction accounts, which generally provides each depositor up to $250,000 in coverage at each separately chartered insured depository institution. As of June 30, 2021 and 2020, bank balances of LAEDC exceeded the maximum deposit insurance amount by $2,521,000 and $1,725,000, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in money market funds, mutual funds and equity securities are placed with a high-credit quality financial institution which is a member of the Securities Investor Protection Corporation (SIPC). Balances are insured up to $500,000 (with a limit of $250,000 for cash). SIPC insures funds to investors with assets in the hands of bankrupt and otherwise financially troubled brokerage firms. RBC Capital Markets, LLC, LAEDC's investment custodian, has purchased an additional policy to insure balances due to physical loss or destruction of the securities. LAEDC holds investments in the form of short-term money market investments. The management and Board of Directors of LAEDC routinely review market values of such investments. As of June 30, 2021 and 2020, LAEDC's money market investments exceeded SIPC insurance coverage by $453,000 and $393,000, respectively.

Cash Equivalents
LAEDC considers all bank deposits, money market accounts and time deposits with an original maturity of three-months or less from date of acquisition to be cash equivalents.

Investments
Investments in debt and equity securities that are traded on national security exchanges are recorded at fair value as determined by quoted market prices. Investments, for which readily determinable market values do not exist, including private equity funds, real estate funds and hedge funds, are recorded at fair value as determined by LAEDC, with the assistance of external investment managers, using methods and significant assumptions LAEDC considers appropriate based on its understanding of the underlying characteristics of the investments. Investments are exposed to various risks such as interest rate, market, and credit. Because of the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the various risk factors, in the near term, could materially affect the amounts reported in the consolidated statements of financial position. All changes in fair values of securities are reported in earnings as they occur. Purchases and sales of securities are recorded on trade dates and realized gains and losses are determined on the basis of the average cost of the securities sold.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while LAEDC believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LAEDC accounts for fair value measurements under Accounting Standards Codification (ASC) Topic 820 *Fair Value Measurement*. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The following fair value hierarchy prioritizes the inputs used to measure fair value:

Level 1 Quoted 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 included in Level 1, which are either directly or indirectly observable as of the reporting date;

Level 3 Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Receivables
Receivables are stated at the amount management expects to collect from outstanding balances. The Organization determines the allowance for doubtful accounts, if any, based on historical write-off experience, current customer or donor information and other relevant factors, including specific identification of past due accounts. Accounts are charged off against the allowance when LAEDC believes they are uncollectible.

Property and Equipment
Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Expenditures for maintenance and repairs are charged to expense as incurred. Acquisitions in excess of $1,500 and that have a useful life greater than one year are capitalized. The provision for depreciation and amortization is computed utilizing the straight-line method over the estimated useful lives of the related assets, presently ranging from three to five years, except for leasehold improvements for which amortization is provided over the shorter of the estimated useful life or the remaining lease term.

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable during the years ended June 30, 2021 and 2020.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The net assets of LAEDC and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations and may be expendable for any purpose in performing the primary objectives of LAEDC.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met either by actions of LAEDC and/or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated financial statements as net assets released from restriction. Donor-restricted contributions that are received and expended in the same reporting period are classified as without donor restrictions in the accompanying consolidated financial statements. There were no net assets with donor restrictions as of June 30, 2021 and 2020.

Contributions

LAEDC accounts for contributions received and contributions made under ASC Topic 958 *Not-for-Profit Entities.* Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the absence or existence and nature of any donor restrictions.

Contributions are recognized as revenue in the period when payments are received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions.

Grants Revenue

Amounts received under unconditional grant agreements other than on a cost reimbursement basis are recognized as unrestricted revenue in the period received.

Deferred revenue includes amounts received in advance during the current year for grants and services which will be recorded as revenue when earned by LAEDC upon satisfaction of conditions under the provisions of the grant.

Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant agreements.

Consulting and Service Contracts

Revenues from research and analysis contracts are recognized as the work is performed.

Contributed Goods and Services

LAEDC records in-kind contributions as revenue at fair market value based on goods and services provided. Corresponding expenses are recorded as management and general expenditures.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Membership Contributions
LAEDC receives member contributions primarily on a yearly basis. Membership contributions (dues) are for one year and are recognized as unrestricted revenue in the period received.

Advertising, Promotion and Marketing
Advertising, promotion and marketing costs are expensed when incurred.

Functional expenses
The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services (business assistance, marketing and communications, event programs, consulting and strategic initiatives), fundraising events, and supporting services (general administration and corporate overhead) benefited. Such allocations are determined by management on an equitable basis. The allocation methodology chosen is based on benefits received or other readily identifiable measures of allocation or consumption such as:

- Programmatic – allocated by salaries and expenses of administrative and executive offices
- Corporate overhead – allocated by office floor space and salaries by departments

Accounting Pronouncements Adopted in Current Year
In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements on fair value measurements in Topic 820, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The new standard became effective for fiscal years beginning after December 15, 2020. The adoption of this ASU did not have a material impact on LAEDC's financial statements for the year ended June 30, 2021.

Recent Accounting Pronouncements, Not Yet Adopted
In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This accounting standard requires organizations that lease assets to recognize a right-of use asset and a liability, initially measured at the present value of the lease payments, in its balance sheet. Lessor accounting is largely unchanged from that applied under current GAAP. This accounting standard will also require additional disclosure about the amount, timing, and uncertainty of cash flows arising from leases. This accounting standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. LAEDC is currently evaluating the impact of adopting this ASU.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements, Not Yet Adopted (Continued)

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. This accounting standard is effective for fiscal years beginning after December 15, 2022. LAEDC is currently evaluating the impact of adopting this ASU.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard's main goal is to address presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. This accounting standard is effective for fiscal years beginning after June 15, 2021. LAEDC is currently evaluating the impact of adopting this ASU.

Reclassifications

Certain types of investments for fiscal year 2020 presented in Note 4 were reclassified to conform with the investment type classification presentation for fiscal year 2021.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At June 30, the following represents LAEDC's financial assets:

	2021	2020
Financial assets		
Cash and cash equivalents	**$ 3,735,000**	$ 2,949,000
Investments - at fair value	**28,700,000**	22,373,000
Receivables	**764,000**	791,000
	$ 33,199,000	$ 26,113,000
Financial assets available to meet general expenditures over the next twelve months	**$ 33,199,000**	$ 26,113,000

As part of LAEDC's liquidity plan, the Organization invests excess cash in short and long-term investments, including money market accounts, fixed income, and equity securities.

LAEDC maintains reserves which provides investment returns and a source of revenue that is used to fund part of LAEDC's programs and overhead expense. The reserves are invested with the objective of preserving the long-term value of the assets while realizing appropriate risk-adjusted returns.

NOTE 4 INVESTMENTS

As of June 30, 2021 and 2020, LAEDC's investments consisted of the following:

	Type	June 30, 2021	%	June 30, 2020	%
Equity Securities					
Domestic Equity	Large Cap Equity	$ 3,528,000	12%	$ 4,028,000	18%
Domestic Equity	Small/Mid Cap Equity	-	0%	1,068,000	5%
International Equity	Developed Non-U.S. Equity	8,289,000	29%	1,421,000	6%
International Equity	Emerging Funds	886,000	3%	-	0%
Alternative Equity	Private Equity	3,786,000	13%	2,929,000	13%
Alternative Equity	U.S. Middle Market Lending	-	0%	1,189,000	5%
Alternative Equity	Event Driven Hedge Fund	1,591,000	6%	1,277,000	6%
Long/short Equity	Directional Hedge Funds	2,590,000	9%	3,282,000	15%
		20,670,000	72%	15,194,000	68%
Real Estate					
Real Estate	Real Estate	578,000	2%	489,000	2%
		578,000	2%	489,000	2%
Absolute Return/Fixed Income					
Absolute Return	Non-directional Hedge Funds	1,124,000	4%	1,017,000	5%
Alternative	Credit Opportunities	1,933,000	7%	2,133,000	10%
Fixed Income	Taxable Government/ Corporate Bonds	1,011,000	4%	1,841,000	8%
Fixed Income	High Yield Bonds	1,000	0%	458,000	2%
Fixed Income	Mutual Funds/Exchange Traded Products	856,000	3%	-	0%
Alternative	Distressed Credit	1,675,000	6%	768,000	3%
Fixed Income	Collateralized Loan Obligations Trading	852,000	2%	473,000	2%
		7,452,000	26%	6,690,000	30%
Investments at fair value		$ 28,700,000	100%	$ 22,373,000	100%
Fixed income investments classified as cash equivalents		$ 953,000		$ 893,000	

NOTE 4 INVESTMENTS (CONTINUED)

As of June 30, 2021 and 2020, LAEDC had capital call commitments amounting to $3,465,000 and $3,459,000, respectively, relating to its investments in certain entities.

The following table sets forth, by level within the fair value hierarchy, LAEDC's investments at fair value as of June 30, 2021:

	Type	Total	Level 1	Level 2	Level 3
Equity Securities					
Domestic Equity	Large Cap Equity	$ 3,528,000	$ 3,528,000	$ -	$ -
Domestic Equity	Small/Mid Cap Equity	-	-	-	-
Domestic Equity	Value Long/Short Driven Equity	-	-	-	-
International	Developed Non-U.S. Equity	8,289,000	8,289,000	-	-
International	Emerging Funds	886,000	886,000	-	-
Alternative Equity	Private Equity	3,786,000	-	-	3,786,000
Alternative Equity	U.S. Middle Market Lending	-	-	-	-
Alternative Equity	Event Driven Hedge Fund	1,591,000	-	1,591,000	-
Long/Short Equity	Directional Hedge Funds	2,590,000	-	2,590,000	-
		20,670,000	12,703,000	4,181,000	3,786,000
Real Estate					
Real Estate	Real Estate	578,000	-	-	578,000
		578,000	-	-	578,000
Absolute Return/Fixed Income					
Absolute Return	Non-directional Hedge Funds	1,124,000	-	986,000	138,000
Alternative	Credit Opportunities	1,933,000	-	-	1,933,000
Alternative	Distressed Credit	1,011,000	-	-	1,011,000
Fixed Income	Taxable Government/ Corporate Bonds	1,000	1,000	-	-
Fixed Income	High Yield Bonds	856,000	-	856,000	-
Fixed Income	Mutual Funds/Exchange Traded Products	1,675,000	1,675,000	-	-
Fixed Income	Collateralized Loan Obligations Trading	852,000	-	-	852,000
		7,452,000	1,676,000	1,842,000	3,934,000
Investments at fair value		$ 28,700,000	$ 14,379,000	$ 6,023,000	$ 8,298,000
Fixed income investments classified as cash equivalents		$ 953,000	$ 953,000	$ -	$ -

NOTE 4 INVESTMENTS (CONTINUED)

The following table sets forth, by level within the fair value hierarchy, LAEDC's investments at fair value as of June 30, 2020:

	Type	Total	Level 1	Level 2	Level 3
Equity Securities					
Domestic Equity	Large Cap Equity	$ 4,028,000	$ 4,028,000	$ -	$ -
Domestic Equity	Small/Mid Cap Equity	1,068,000	1,068,000	-	-
Domestic Equity	Value Long/Short Driven Equity	-	-	-	-
International Equity	Developed Non-U.S. Equity	1,421,000	1,421,000	-	-
Alternative Equity	Private Equity	2,929,000	-	-	2,929,000
Alternative Equity	U.S. Middle Market Lending	1,189,000	1,189,000	-	-
Alternative Equity	Event Driven Hedge Fund	1,277,000	-	1,277,000	-
Long/Short Equity	Directional Hedge Funds	3,282,000	-	3,282,000	-
		15,194,000	7,706,000	4,559,000	2,929,000
Real Estate					
Real Estate	Real Estate	489,000	-	-	489,000
		489,000	-	-	489,000
Absolute Return/Fixed Income					
Absolute Return	Non-directional Hedge Funds	1,017,000	-	902,000	115,000
Alternative	Credit Opportunities	2,133,000	-	-	2,133,000
Alternative	Distressed Credit	768,000	-	-	768,000
Fixed Income	Taxable Government/ Corporate Bonds	1,841,000	1,841,000	-	-
Fixed Income	High Yield Bonds	458,000	-	458,000	-
Fixed Income	Collateralized Loan Obligations Trading	473,000	-	-	473,000
		6,690,000	1,841,000	1,360,000	3,489,000
Investments at fair value		$ 22,373,000	$ 9,547,000	$ 5,919,000	$ 6,907,000
Fixed income investments classified as cash equivalents		$ 893,000	$ 893,000	$ -	$ -

The level 3 investments consist of LAEDC's investments in real estate and certain private equity, directional and non-directional hedge funds.

Level 3 investments

LAEDC's external investment advisor is responsible for approving the valuation processes and procedures, conducting periodic reviews of the valuation policies, and evaluating the overall fairness and consistent application of the valuation policies. LAEDC management meets with the advisor on a quarterly basis, or more frequently as needed, to review the valuations of the organization's Level 3 investments. These valuations are required to be supported by market data, third-party pricing sources, industry accepted pricing models, counterparty prices, or other methods the advisor deems to be appropriate, including the use of internal proprietary pricing models. Valuations are also supported by independent external audits of the individual funds or investments.

On an annual basis, LAEDC may adjust its valuations based on the recommendations from the advisor.

NOTE 4 INVESTMENTS (CONTINUED)

A reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value is as follows:

Balance, July 1, 2020	$	6,907,000
Net change in realized and unrealized gains/losses on investments		1,391,000
Balance, June 30, 2021	$	8,298,000

NOTE 5 PROPERTY AND EQUIPMENT

At June 30, 2021 and 2020, property and equipment is composed of the following:

	June 30	
	2021	2020
Furniture and fixtures	**$ 122,000**	$ 122,000
Equipment	**462,000**	442,000
Leasehold improvements	**373,000**	373,000
	957,000	937,000
Less accumulated depreciation and amortization	**(751,000)**	(629,000)
Property and equipment, net	**$ 206,000**	$ 308,000

The provision for depreciation and amortization for the years ended June 30, 2021 and 2020 amounted to $122,000 and $124,000, respectively.

During the year ended June 30, 2020, LAEDC disposed $62,000 of fully depreciated property and equipment. No gain or loss was recognized on the disposal of assets. No disposal was made during the year ended June 30, 2021.

NOTE 6 COMMITMENTS AND CONTINGENCIES

LAEDC leases office space under a 132-month operating lease, which expires April 30, 2023. Lease amounts include minimum rental payments under the lease agreement for office facilities as well as LAEDC's share of the annual direct operating expenses allocated by the landlord. The amounts presented are consistent with contractual terms and are not expected to differ significantly from actual results under the existing lease which contains provisions for future rent increases. The lease amount is recognized on a straight-line basis over the life of the lease, with a deferred liability that accounts for the difference between cash lease payments made and accrued lease expense.

NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum lease payments are as follows:

Year ending June 30		
2022	$	453,000
2023		390,000
	$	843,000

Lease expense for the years ended June 30, 2021 and 2020 amounted to $685,000 and $696,000, respectively.

Government Regulation
LAEDC is subject to regulation by numerous governmental authorities, including federal, state, and local jurisdictions. LAEDC believes that it is currently in compliance with applicable laws, regulations, and rules.

LAEDC participates in a number of federally funded grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time, although LAEDC expects such amounts, if any, would not be material to its financial position.

NOTE 7 GOVERNMENT AND OTHER GRANTS

Government grants primarily represent financial assistance from the State of California, the County of Los Angeles and the City of Los Angeles. These grants are used to fund public programs and projects in the Los Angeles County region. Government grants revenue amounted to $3,976,000 and $2,918,000 for the years ended June 30, 2021 and 2020, respectively.

LAEDC also receives non-government grants from certain private foundations to help support programs and services. Non-government grants revenue amounted to $394,000 and $622,000 for the years ended June 30 2021 and 2020, respectively.

NOTE 8 AFFILIATE

The consolidated financial statements include the accounts of World Trade Center, Los Angeles (WTCLA), after elimination of intercompany transactions and balances.

WTCLA
LAEDC is affiliated with WTCLA which is a non-profit public benefit corporation. WTCLA provides business assistance, educational and matchmaking programs to international companies seeking to locate or expand operations in Los Angeles, and to local companies seeking to export products and services to the international market, so as to create jobs and economic opportunity, and help raise standards of living for LA area residents.

NOTE 8 AFFILIATE (CONTINUED)

WTCLA (Continued)
As of June 30, 2021 and 2020, LAEDC has a receivable from WTCLA which amounted to $288,000 and $354,000, respectively. These amounts were eliminated upon consolidation.

The statements of financial position of WTCLA as of June 30, 2021 and 2020 and its results of operations for the years then ended are summarized as follows:

	June 30	
	2021	2020
Assets		
Cash and cash equivalents	**$ 24,000**	$ 111,000
Accounts receivable	**111,000**	-
Total assets	**$ 135,000**	$ 111,000
Liabilities and net assets		
Due to affiliate	**$ 288,000**	$ 354,000
Deferred revenue	**37,000**	-
Net deficit	**(190,000)**	(243,000)
Total liabilities and net assets	**$ 135,000**	$ 111,000

	Years ended June 30	
	2021	2020
Revenues	**$ 571,000**	$ 486,000
Expenses	**(518,000)**	(616,000)
Change in net assets	**53,000**	(130,000)
Net deficit at beginning of the year	**(243,000)**	(113,000)
Net deficit at end of the year	**$ (190,000)**	$ (243,000)

NOTE 9 RELATED PARTIES

LAEDC enters into agreements for consulting or sub-consulting services, or other services with companies that, during certain periods, had executive officers that were also directors of LAEDC. These sub-consultants are necessary to complete certain contracts due to their specialized expertise or because the client specifically requests them. Payments made to these companies totaled $678,000 and $345,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 RELATED PARTIES (CONTINUED)

LAEDC also received payments for services from organizations and entities that have executive officers that also are or have been directors of LAEDC during certain periods. Payments received from these organizations and entities totaled $0 and $69,000 for the years ended June 30, 2021 and 2020, respectively.

Pursuant to the LAEDC's by-laws, of the seventy-five authorized voting directors, five are designated by the Los Angeles County Board of Supervisors. Independent of any Board participation, LAEDC received a grant from the County of Los Angeles in the amount of $440,000 for each of the years ended June 30, 2021 and 2020.

Additionally, LAEDC received in-kind legal services of $100,000 and $121,000, respectively, for the years ended June 30, 2021 and 2020.

NOTE 10 RENT CONCESSIONS

WTCLA has contractual service funding agreements and operating lease or sublease agreements for office space with the company that owns the Los Angeles World Trade Center building. In return for rent concessions, WTCLA agrees to maintain an office within the Los Angeles World Trade Center building to provide services required by its license agreement.

For the years ended June 30, 2021 and 2020, WTCLA received non-monetary support in the form of a rent concession of $85,000 and $72,000, respectively, from the owners of the Los Angeles World Trade Center building based on fair value. WTCLA did not receive monetary support from the owners of the Los Angeles World Trade Center building. Rent concessions are recorded as part of contribution income and building rent expense.

NOTE 11 DEFINED CONTRIBUTION PLAN

LAEDC has a 403(b) plan that allows eligible employees to make contributions through payroll deductions up to IRS limits and invest their contributions in one or more of the 403(b) plan investment options. LAEDC matches a portion of the employee contributions and may, at its discretion, make additional contributions based on the performance of LAEDC. Employee contributions vest immediately, and LAEDC's matching and discretionary contributions generally vest after five years of service. LAEDC's defined contribution plan expense for the years ended June 30, 2021 and 2020 amounted to $157,000 and $182,000, respectively.

NOTE 12 FEDERAL AND STATE INCOME TAXES

LAEDC is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and section 23701d of the California revenue and taxation code and is generally not subject to federal or state income taxes. However, LAEDC is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

No income tax provision has been recorded for the years ended June 30, 2021 and 2020 as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

U.S. GAAP requires that an organization recognize in the financial statements the impact of a tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the years ended June 30, 2021 and 2020, LAEDC had no material unrecognized tax benefits, tax penalties or interest.

NOTE 13 ACCRUED EXPENSES AND OTHER LIABILITIES

At June 30, 2021 and 2020, accrued expenses and other liabilities consisted of:

	June 30	
	2021	2020
Accrued payroll and vacation	**$ 406,000**	$ 406,000
Accrued payroll taxes and fringe benefits	**390,000**	498,000
Deferred rent	**22,000**	93,000
Deferred revenue and refundable advances	**1,396,000**	617,000
Other	**41,000**	29,000
Total accrued expenses and other liabilities	**$ 2,255,000**	$ 1,643,000

NOTE 14 PAYCHECK PROTECTION PROGRAM LOAN

Pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020, LAEDC was granted a loan in the amount of $570,000. The loan, which was in the form of a Promissory Note dated April 28, 2020, was issued by Bank of America and bears interest at a rate of 1.0% per annum payable monthly commencing on October 28, 2020 and it matures two (2) years from the funding date of the loan. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. LAEDC met the conditions for the forgiveness of the loan over a two-year period.

NOTE 14 PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

During the fiscal year 2020, LAEDC substantially met the condition on $190,000, resulting in a loan balance of $380,000 as of June 30, 2020, recognized as a refundable advance. During fiscal year 2021, LAEDC met the conditions on the remaining $380,000.

LAEDC recognized government grant revenue from the forgiveness of the loan amounting to $380,000 and $190,000, respectively, for the years ended June 30, 2021 and 2020.

NOTE 15 IMPACT OF CORONAVIRUS ON LAEDC'S OPERATIONS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate it have and are expected to continue to have an adverse impact on the economies of many countries including the geographical area where LAEDC operates.

For the fiscal year ended June 30, 2021 and 2020, after giving consideration to the additional funding received under PPP and new government grants, the coronavirus outbreak did not have a material impact on LAEDC's operations. Management expects the impact to extend into the new fiscal year, the duration and intensity of the impact of the coronavirus and resulting disruption of LAEDC's operations are uncertain and could adversely affect financial results. However, management does not expect the impact to be material to LAEDC's June 30, 2021 consolidated financial statements.

NOTE 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2021, the date on which the consolidated financial statements were available to be issued. There are no material subsequent events that require recognition or additional disclosures in these consolidated financial statements.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Economic Development Corporation of Los Angeles County

We have audited, in accordance with the 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, the consolidated financial statements of the Economic Development Corporation of Los Angeles County (LAEDC), a non-profit corporation, which comprise the consolidated statement of financial position as of June 30, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered LAEDC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of LAEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of LAEDC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LAEDC's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasquez & Company LLP

Glendale, California
September 30, 2021

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