

**LOS ANGELES NEIGHBORHOOD
INITIATIVE, INC.**
(A California not-for-profit corporation)

**AUDITED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020**

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.
(A California not-for-profit corporation)

Table of contents

	<u>Page</u>
Independent auditor's report	3
Statement of financial position	5
Statement of activities	6
Statement of functional expenditures	7
Statement of cash flows	8
Notes to financial statements	9
Supplementary Information Section Required by Government Auditing Standards	
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	16
Independent auditor's report on compliance for each major Federal program; report on internal control over compliance required by the Uniform Guidance	18
Schedule of expenditures of federal awards	20
Note to schedule of expenditures of federal awards	21
Schedule of findings and questioned costs	22

JEFFREY A. HILL CPA, INC.

19602 Fariman Drive, Carson, CA 90746 • Phone: (310) 749-1014

To the Board of Directors
Los Angeles Neighborhood Initiative, Inc.
Los Angeles, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the **Los Angeles Neighborhood Initiative, Inc.**, (a California not-for-profit corporation) which comprise the statement of financial position as of September 30, 2020 and the related statements of activities, functional expenditures and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2019 financial statements and in our report dated June 19, 2020 an unqualified opinion was expressed on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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; 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 of 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 risk of material misstatement of the financial statements 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 statement 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriated to provide a basis for our opinion.

Opinion

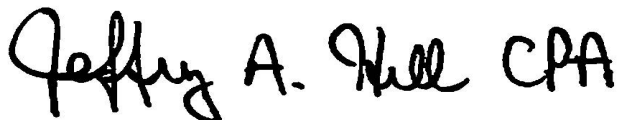
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Los Angeles Neighborhood Initiative, Inc.**, as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2021 on our consideration of **Los Angeles Neighborhood Initiative, Inc.**'s, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Handwritten signature of Jeffrey A. Hall CPA in black ink.

Carson, California
June 9, 2021

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.
STATEMENT OF FINANCIAL POSITION
At September 30, 2020
(With comparative totals for the year ended September 30, 2019)

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 595,097	\$ 1,725,391
Cash and cash equivalents-restricted to program use	416,496	233,680
Cash held as fiscal agent	1,032,312	1,046,745
Accounts receivable-government grants	585,091	266,405
Total current assets	2,628,996	3,272,221
OTHER ASSETS:		
Security deposit	5,175	5,175
Total assets	\$ 2,634,171	\$ 3,277,396
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 171,187	\$ 110,570
Cash held as fiscal agent	1,032,312	1,046,745
Accrued vacation	65,944	46,924
Line of credit (Note 3)	45,249	49,603
Total current liabilities	1,314,692	1,253,842
Total liabilities	1,314,692	1,253,842
NET ASSETS		
NET ASSETS:		
Without donor restrictions	1,314,385	1,007,360
With donor restrictions (Note 9)	5,094	1,016,194
Total net assets	1,319,479	2,023,554
Total liabilities and net assets	\$ 2,634,171	\$ 3,277,396

The accompanying notes are an integral part of these financial statements.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.
STATEMENT OF ACTIVITIES
For the year ended September 30, 2020
(With comparative totals for the year ended September 30, 2019)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2020</u>	<u>2019</u>
SUPPORT AND REVENUES:				
Support:				
Grants and contracts-administration	\$ 386,354	\$ -	\$ 386,354	\$ 75,808
Grants and contracts-program services	2,919,669	-	2,919,669	3,571,169
Fiscal agent fees	30,000	-	30,000	30,000
Investment income	36	-	36	29
Net assets released from restrictions	<u>1,011,100</u>	<u>(1,011,100)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>4,347,159</u>	<u>(1,011,100)</u>	<u>3,336,059</u>	<u>3,677,006</u>
EXPENDITURES:				
Program services	3,652,882	-	3,652,882	2,047,996
Administrative	<u>387,252</u>	<u>-</u>	<u>387,252</u>	<u>436,633</u>
Total expenditures	<u>4,040,134</u>	<u>-</u>	<u>4,040,134</u>	<u>2,484,629</u>
CHANGES IN NET ASSETS	307,025	(1,011,100)	(704,075)	1,192,377
Net assets, beginning of the year	<u>1,007,360</u>	<u>1,016,194</u>	<u>2,023,554</u>	<u>831,177</u>
Net assets, end of the year	<u>\$ 1,314,385</u>	<u>\$ 5,094</u>	<u>\$ 1,319,479</u>	<u>\$ 2,023,554</u>

The accompanying notes are an integral part of these financial statements.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENDITURES
For the year ended September 30, 2020
(With comparative totals for the year ended September 30, 2019)

	Program Total 2020	Admin. Total 2020	Grand Total 2020	Grand Total 2019
Pre-construction costs (Note 7)	\$ 186,640	\$ -	\$ 186,640	\$ 92,599
Construction management	145,398	-	145,398	193,317
Construction costs (Note 8)	2,531,588	-	2,531,588	1,104,656
Salaries	335,860	144,539	480,399	462,344
Payroll taxes	24,587	11,281	35,868	35,467
Employee retirement	6,551	1,542	8,093	7,293
Dental	2,668	-	2,668	1,729
Employee relations	-	2,991	2,991	3,874
Events	116,069	148	116,217	231
Payroll fees	-	1,123	1,123	1,028
Bank charges	11	2,027	2,038	1,424
Interest	-	4,040	4,040	6,722
Subscriptions and dues	-	3,396	3,396	4,261
Publications	95	525	620	463
Equipment	80,292	4,966	85,258	4,793
Insurance-group medical	43,450	21,594	65,044	58,747
Insurance-general	-	5,683	5,683	8,548
Insurance-workers compensation	-	4,058	4,058	3,238
Meetings	5,801	1,173	6,974	3,995
Office supplies	333	3,199	3,532	5,564
Outside services	30,158	189	30,347	13,203
Postage	-	834	834	2,027
Repairs and maintenance	1,775	-	1,775	26,468
Rent	5,500	82,550	88,050	86,049
Telephone	59	3,431	3,490	5,660
Travel	2,197	1,249	3,446	10,645
LANI Forum	-	-	-	11,414
Training and seminars	-	1,455	1,455	5,329
Accounting and auditing fees	6,000	65,750	71,750	61,500
Legal	15	-	15	2,875
Consultants	95,325	-	95,325	168,739
Printing	1,358	2,914	4,272	18,230
Graphic design	12,390	1,200	13,590	17,405
Transportation stipend	3,688	2,478	6,166	11,109
IT supplies	2,524	5,043	7,567	7,403
IT repairs and maintenance	-	589	589	480
Professional Services	5,930	7,285	13,215	2,800
LANI maintenance match fund	6,620	-	6,620	33,000
Total expenditures	\$ <u>3,652,882</u>	\$ <u>387,252</u>	\$ <u>4,040,134</u>	\$ <u>2,484,629</u>

The accompanying notes are an integral part of these financial statements.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.
STATEMENT OF CASH FLOWS
For the year ended September 30, 2020
(With comparative totals for the year ended September 30, 2019)

	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ (704,075)	\$ 1,192,377
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities:		
(Increase) decrease in assets		
Accounts receivable-government grants	(318,686)	(107,948)
Increase (decrease) in liabilities		
Accounts payable	60,617	(70,169)
Accrued vacation	19,020	2,496
	(943,124)	1,016,756
Cash flows from financing activities:		
Net principle payments on line of credit	(4,354)	(6,435)
Net cash used by financing activities	(4,354)	(6,435)
(Decrease) increase in cash	(947,478)	1,010,321
Cash and cash equivalents - beginning of the year	1,959,071	948,750
Cash and cash equivalents - end of the year	\$ 1,011,593	\$ 1,959,071
SUPPLEMENTAL INFORMATION:		
Cash paid for interest expense	\$ 4,040	\$ 6,722
CASH RECONCILIATION:		
Cash and cash equivalents	\$ 595,097	\$ 1,725,391
Cash and cash equivalents-restricted for program use	416,496	233,680
Total cash and cash equivalents	\$ 1,011,593	\$ 1,959,071

The accompanying notes are an integral part of these financial statements.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE CORPORATION

The Los Angeles Neighborhood Initiative, Inc. is organized as a not-for-profit corporation for the purpose of stimulating community-driven neighborhood revitalization in economically challenged communities. The Los Angeles Neighborhood Initiative, Inc. focuses on revitalizing transit operations, creating livable public spaces, stimulating private investments, and promoting neighborhood businesses and jobs. The Los Angeles Neighborhood Initiative, Inc. facilitates community participation and decision-making, and promotes public/private partnerships that result in catalytic main street projects.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, "Not-for-Profit Organizations" which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without Donor Restrictions: - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Los Angeles Neighborhood Initiative, Inc. These net assets may be used at the discretion of Los Angeles Neighborhood Initiative, Inc.'s management and the board of directors. Also, contributions that are restricted by the donor are reported as increases in net assets Without Donor Restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Net assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

REVENUE RECOGNITION

Revenue from government grants is recorded as net assets without donor restrictions when received. Revenue is dependent upon government policies and is subject to audit that could result in retroactive adjustments. Management believes that it has complied with the applicable criteria. Los Angeles Neighborhood Initiative, Inc. received a restricted grant for \$1,000,000 at the end of the prior fiscal year from which no funds were expended until the current fiscal year which accounts for much of the change in net assets.

These notes are an integral part of the preceding financial statements.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTS RECEIVABLE

Accounts receivable is unsecured non-interest-bearing amounts due from government grantors for cost reimbursement or performance based grants. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

ESTIMATES

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

NOT-FOR-PROFIT STATUS

The Los Angeles Neighborhood Initiative, Inc. is a not-for-profit organization that is exempt from Federal and state income taxes under the Internal Revenue Code Section 501(c) (3) and the California State Revenue and Taxation Code 23701 (d) except on net income derived from unrelated business activities. The Los Angeles Neighborhood Initiative, Inc.'s management believes that it has support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Los Angeles Neighborhood Initiative, Inc.'s Forms 990, Return of Organization Exempt from Income Tax for the years ending September 30, 2020, 2019, 2018 and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

CASH AND CASH EQUIVALENTS

The Los Angeles Neighborhood Initiative, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment acquired is considered to be owned by the Los Angeles Neighborhood Initiative, Inc. while used in the program for which it was purchased or in other future authorized programs. However, the government grantor(s) have a reversionary interest in the office furniture and equipment, its disposition as well as the ownership of any proceeds therefrom is subject to government regulations. Office furniture and equipment having a unit value of \$1,000 or more, and a useful life of two years or more were capitalized.

These notes are an integral part of the preceding financial statements.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUNCTIONAL EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited on the basis of management's estimates. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for overall support and direction of Los Angeles Neighborhood Initiative, Inc.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Los Angeles Neighborhood Initiative, Inc.'s financial statements for the year ended September 30, 2019, from which the summarized information was derived.

NOTE 3 - LINE OF CREDIT

LANI has an unsecured, \$99,000 line of credit from a bank. The terms for repayment require monthly interest only payments and the interest rate is prime plus 6.75%. The outstanding principal portion of the line of credit is due upon demand. As of September 30, 2020 and 2019, the outstanding balance for this line of credit was \$45,249 and \$49,603 respectively.

NOTE 4 - RETIREMENT PLAN

The Los Angeles Neighborhood Initiative, Inc. has a Simple Individual Retirement Account (Simple IRA) plan that covers all full-time employees upon being hired. Under the terms of the Simple IRA plan, all participating employees receive a matching contribution from the Los Angeles Neighborhood Initiative, Inc. of 2% of their annual salary.

Each employee is 100% vested to all contributions upon enrollment into the Simple IRA plan. The Los Angeles Neighborhood Initiative, Inc.'s total contribution to the plan for the years ended September 30, 2020 and 2017 were \$8,093 and \$7,293 respectively.

These notes are an integral part of the preceding financial statements.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CONCENTRATION OF RISK

The Los Angeles Neighborhood Initiative, Inc. maintains bank accounts at one bank. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Total cash exceeded the federally insured limits by \$1,929,827 and \$2,950,214 as of September 30, 2020 and 2019 respectively. Management believes that the Los Angeles Neighborhood Initiative, Inc. is not exposed to any significant credit risk related to cash because of the solvency of the bank in which these funds are held.

NOTE 6 - LEASE COMMITMENT

Effective on December 15, 2011 Los Angeles Neighborhood Initiative, Inc. entered into a long-term lease agreement for office space located at 800 Figueroa Street, Suite 970, Los Angeles, CA 90017 with an expiration date of December 15, 2021. The characteristic of this lease agreement is such that it is recorded on the Los Angeles Neighborhood Initiative, Inc.'s books as an operating lease.

The future minimum obligation under this lease agreement is as follows:

<u>Year ended</u> <u>September 30,</u>	<u>Amount</u>
2021	\$ 80,436
2022	20,257
2023	-0-
2024	-0-
2025	-0-
Thereafter	<u>-0-</u>
Total	\$ <u>100,693</u>

NOTE 7 - PRE-CONSTRUCTION COSTS

The pre-construction cost consists of the following:

<u>Description</u>	<u>9/30/20</u>	<u>9/30/19</u>
Design/engineering	\$ 146,363	\$ 72,354
Permitting	<u>40,277</u>	<u>20,245</u>
Total	\$ <u>186,640</u>	\$ <u>92,599</u>

These notes are an integral part of the preceding financial statements.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CONSTRUCTION COSTS

The construction cost consists of the following:

<u>Description</u>	<u>9/30/20</u>	<u>9/30/19</u>
Hardscape	\$ 793,394	\$ 38,305
Façade	-0-	308,327
General conditions/mobilization	305,749	-0-
Maintenance	165,342	65,750
Signage/Banners/Flags	752	17,929
Electrical/lighting	756	756
Sidewalks	338,545	601,133
Street furniture	-0-	14,037
Other	97	863
Total hardscape costs	<u>1,604,635</u>	<u>1,047,100</u>
Irrigation	13,305	10,373
Tree trimming	132,454	-0-
Landscape	<u>781,194</u>	<u>47,183</u>
Total landscape costs	<u>926,953</u>	<u>57,556</u>
Total	\$ <u>2,531,588</u>	\$ <u>1,104,656</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2020, net assets with donor restrictions are available for the following purpose:

<u>Description</u>	<u>Amount</u>
Wilmington Town Square Park renovation	\$ <u>5,094</u>
Total	\$ <u>5,094</u>

These notes are an integral part of the preceding financial statements.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 1,011,593
Accounts receivable	<u>585,091</u>
Total financial assets	\$ <u>1,596,684</u>

In addition to the financial assets listed above to meet general operating expenses over the next year, Los Angeles Neighborhood Initiative, Inc. operates with a balance budget and anticipates covering its general operating expenses by collection of revenues and support. Los Angeles Neighborhood Initiative, Inc. reviews its financial position on a regular basis to ensure adequate financial assets are available to meet general operating expenses.

NOTE 11 - SUBSEQUENT EVENT

The Los Angeles Neighborhood Initiative, Inc.'s management has evaluated subsequent events for the period from September 30, 2020 through June 9, 2021, the date the financial statements were available to be issued. Management identified the following events that require disclosure or that would have an impact on the financial statements.

On May 21, 2021, Los Angeles Neighborhood Initiative, Inc.'s application for forgiveness of their first PPP loan for \$97,905 was approved. The loan balance has been converted to a grant and is included in revenue for the year ended September 30, 2020.

On February 3, 2021, Los Angeles Neighborhood Initiative, Inc. received a second PPP loan from a bank for \$95,492. Management will prepare an application for forgiveness of this loan and anticipates that it will be approved.

NOTE 12 - RECLASSIFICATIONS

The prior year cash balances on the Statement of Financial Position have been reclassified to conform to the September 30, 2020 classifications. These reclassifications had no effect on the change in net assets for the year ended September 30, 2020.

These notes are an integral part of the preceding financial statements.

***SUPPLEMENTARY INFORMATION SECTION REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE***

JEFFREY A. HILL CPA, INC.

19602 Fariman Drive, Carson, CA 90746 • Phone: (310) 749-1014

To the Board of Directors
Los Angeles Neighborhood Initiative, Inc.
Los Angeles, California

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

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 financial statements of **Los Angeles Neighborhood Initiative, Inc.** which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenditures and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Los Angeles Neighborhood Initiative, Inc.**'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Los Angeles Neighborhood Initiative, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Los Angeles Neighborhood Initiative, Inc.**'s internal control.

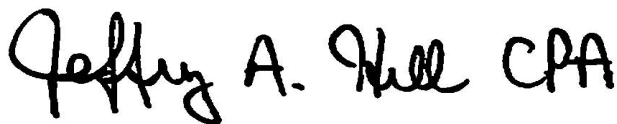
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 **Los Angeles Neighborhood Initiative, Inc.**'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

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.

Handwritten signature of Jeffrey A. Hill CPA in black ink.

Carson, California
June 9, 2021

JEFFREY A. HILL CPA, INC.

19602 Fariman Drive, Carson, CA 90746 • Phone: (310) 749-1014

To the Board of Directors
Los Angeles Neighborhood Initiative, Inc.
Los Angeles, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited **Los Angeles Neighborhood Initiative, Inc.** compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of **Los Angeles Neighborhood Initiative, Inc.**'s major federal programs for the year ended September 30, 2020. **Los Angeles Neighborhood Initiative, Inc.**'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Los Angeles Neighborhood Initiative, Inc.**'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Los Angeles Neighborhood Initiative, Inc.**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Los Angeles Neighborhood Initiative, Inc.**'s compliance.

Opinion on Each Major Federal Program

In our opinion, **Los Angeles Neighborhood Initiative, Inc.** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

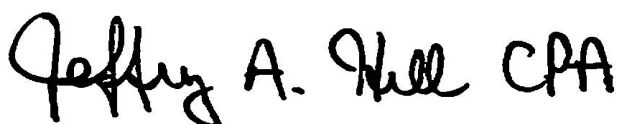
Report on Internal Control Over Compliance

Management of **Los Angeles Neighborhood Initiative, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Los Angeles Neighborhood Initiative, Inc.**'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Los Angeles Neighborhood Initiative, Inc.**'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Carson, California
June 9, 2021

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantee Number	Grant Term	Expenditures
United States Department of Housing and Urban Development/ City of Los Angeles Housing and Community Investment Department				
Wilmington Town Square Park	14.218	C126910	11/13/15-6/30/20	592,572
CD 6 Sidewalk and Street Improvements	14.218	C128983	3/2/17-3/1/20	<u>469,747</u>
Total United States Department of Housing and Urban Development				<u>1,062,319</u>
Total Federal awards				\$ <u><u>1,062,319</u></u>

See the accompanying note to schedule of expenditures of federal awards.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Los Angeles Neighborhood Initiative, Inc. under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Los Angeles Neighborhood Initiative, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Los Angeles Neighborhood Initiative, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported in prior years.

NOTE 3 – INDIRECT COST RATE

Los Angeles Neighborhood Initiative, Inc. has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS:

Type of auditor’s report issued Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material weakness identified No
Significant deficiency identified None reported
Noncompliance material to financial statements noted No

FEDERAL AWARDS:

Internal control over major federal programs:
Material weakness identified No
Significant deficiency identified None reported

Type of auditor’s report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.516(a) None reported

IDENTIFICATION OF MAJOR FEDERAL PROGRAMS:

CFDA No.	Name of Program	Expenses
14.218	Community Development Block Grants	\$1,062,319
	Dollar threshold to distinguish between type A and type B programs:	\$750,000
	Auditee qualified as a low risk auditee	Yes

LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

None