

**LOS ANGELES HARBOR
IMPROVEMENT CORPORATION**

**A COMPONENT UNIT OF THE
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE
CITY OF LOS ANGELES, CALIFORNIA)**

Basic Financial Statements
June 30, 2025 and 2024

**LOS ANGELES HARBOR IMPROVEMENT CORPORATION
A COMPONENT UNIT OF THE PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Table of Contents

	Page
Report of Independent Auditors	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Net Position	7
Statements of Cash Flows	8
Notes to the Basic Financial Statements	9
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10

Report of Independent Auditors

The Members of the Board of Harbor Commissioners
Los Angeles Harbor Improvement Corporation
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Los Angeles Harbor Improvement Corporation (“LAHIC”), a component unit of the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) (the Port), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the LAHIC’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of LAHIC as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LAHIC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only LAHIC’s net position, the changes in net position, and cash flows and do not purport to, and do not, present fairly the net position of the Port as of June 30, 2025 and 2024, the changes in Port’s net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LAHIC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required management's discussion and be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2026, on our consideration of LAHIC'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 LAHIC'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 LAHIC's internal control over financial reporting and compliance.

Baker Tilly US, LLP

El Segundo, California
January 21, 2026

**LOS ANGELES HARBOR IMPROVEMENT CORPORATION
A COMPONENT UNIT OF THE PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)**

Management's Discussion and Analysis
June 30, 2025 and 2024
(Unaudited)

This section of the Los Angeles Harbor Improvement Corporation's (Corporation) financial report summarizes the significant factors affecting the Corporation's financial performance for fiscal years ended June 30, 2025 and 2024. The discussion should be read in conjunction with the basic financial statements and the notes to the basic financial statements, which follow this section.

The Corporation is a nonprofit public benefit corporation formed in 1984 by the City of Los Angeles Harbor Department, also known as the Port of Los Angeles (the Port), to assist with financing for the Port and its tenants. The board of directors of the Corporation consists of five members. Election of the Corporation board of directors occurs by vote of the Board of Harbor Commissioners. Although the Corporation is legally separate from the Port, the Corporation is reported as if it were part of the Port because its sole purpose is to finance and construct facilities and improvements that directly benefit the Port.

The Corporation was formed solely to assist the City of Los Angeles, acting through the Board of Harbor Commissioners, in providing financing for the acquisition, construction, replacement, or expansion of improvements to the facilities within the area controlled by the Port. When there is activity, the Corporation's operating expenses are allocated to tenants under the terms of the underlying lease agreements.

Total Assets, Liabilities, and Net Position

The Corporation's total assets, liabilities and net position for the last three fiscal years are as follows:

	June 30		
	2025	2024	2023
Total assets	\$ 20,632	\$ 20,631	\$ 20,631
Total liabilities	20,632	20,631	20,631
Net position	\$ --	\$ --	\$ --

The Corporation's assets for fiscal years 2025, 2024, and 2023 are composed of cash, while the liabilities are fees collected by the Corporation from tenants in prior years that are due to the Port.

Net position is the difference between the sum of assets and deferred outflows of resources, if any, and the sum of liabilities and deferred inflows of resources, if any.

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Management's Discussion and Analysis (Continued)

June 30, 2025 and 2024

(Unaudited)

Changes in Net Position

	Fiscal Year Ended June 30		
	2025	2024	2023
Operating revenues	\$ --	\$ --	\$ --
Operating expenses	--	--	--
Operating loss	--	--	--
Net nonoperating revenues (expenses)	--	--	--
Changes in net position	--	--	--
Net position, July 1	--	--	--
Net position, June 30	\$ --	\$ --	\$ --

The Corporation is a nonprofit, public benefit corporation formed to assist with financing requirements of the Port and its tenants and hence, its business is not designed to generate assets for the Corporation. In previous transactions undertaken by the Corporation, it established a long-term lease agreement among the Corporation, the Port, and the tenants, from which it derived lease rental income from the tenants. The rental income was used for debt service. Its expenses which are mainly administration fees paid to the Port, were reimbursed by the tenants. There were no tenant-related activities for fiscal years ended June 30, 2025, 2024, and 2023; and therefore, there are no changes in net position.

Operating Revenues and Operating Expenses

The Corporation no longer has outstanding debt and related tenant activities; and therefore, has no operating revenues and expenses for fiscal years ended June 30, 2025, 2024, and 2023.

The Corporation is required to pay the Port administrative fees for each year that there are tenant-related activities such as issuance of conduit debt. The tenants are required to reimburse the Corporation for the administrative fees and any other miscellaneous expenses incurred by the Corporation, if any. For fiscal years ended June 30, 2025, 2024, and 2023, there were no tenant activities; and thus, no fees have been charged by the Port.

Factors that May Affect Future Operations

As a result of tax law changes, it has become more difficult for issuers of industrial development type bonds to use the Corporation as a conduit. The Corporation currently has no financing activities. At this time, it is uncertain whether the Corporation will be used again in the future to provide financing for the acquisition, construction, replacement, or expansion of improvements to the facilities within the area controlled by the Port.

LOS ANGELES HARBOR IMPROVEMENT CORPORATION
A COMPONENT UNIT OF THE PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Statements of Net Position

June 30, 2025 and 2024

ASSETS	<u>2025</u>	<u>2024</u>
Current assets		
Cash (note 2)	\$ 20,632	\$ 20,631
Total assets	<u>20,632</u>	<u>20,631</u>
 LIABILITIES AND NET POSITION		
Current liabilities		
Payable to the Port of Los Angeles	<u>20,632</u>	<u>20,631</u>
Total liabilities	<u>20,632</u>	<u>20,631</u>
Total net position	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>

See accompanying notes to the basic financial statements.

LOS ANGELES HARBOR IMPROVEMENT CORPORATION
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Statements of Revenues, Expenses, and Changes in Net Position

For Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING EXPENSES		
Other	\$ --	\$ --
Total operating expenses	--	--
Operating loss	--	--
NONOPERATING REVENUE (EXPENSE)		
Miscellaneous receipt	1	--
Miscellaneous fee	(1)	--
Changes in net position	--	--
NET POSITION, JULY 1	--	--
NET POSITION, JUNE 30	\$ --	\$ --

See accompanying notes to the basic financial statements.

**LOS ANGELES HARBOR IMPROVEMENT CORPORATION
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Statements of Cash Flows

For Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Miscellaneous	\$ 1	\$ --
Net cash provided by investing activities	1	--
Cash, July 1	20,631	20,631
Cash, June 30	\$ 20,632	\$ 20,631

See accompanying notes to the basic financial statements.

**LOS ANGELES HARBOR IMPROVEMENT CORPORATION
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Notes to the Basic Financial Statements
June 30, 2025 and 2024

1. Summary of Significant Accounting Policies

A. Organization

The Los Angeles Harbor Improvement Corporation (Corporation) is a nonprofit, public benefit corporation organized under the laws of the state of California and is exempted from payments of Federal income and California franchise taxes under Internal Revenue Code section 501(c)(4). The sole purpose of the Corporation is to assist the City of Los Angeles, acting through the Board of Harbor Commissioners (BHC), in providing financing for the acquisition, construction, replacement, or expansion of improvements to the facilities within the area controlled by the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port). The Corporation's operating expenses are allocated to tenants under the terms of the underlying lease agreements. The Corporation is considered a blended component unit of the Port for financial reporting purposes. The board of directors of the Corporation consists of five members. Election of the Corporation's board of directors occurs by vote of the BHC.

B. Method of Accounting

The Corporation is accounted for as an enterprise fund and, as such, utilizes the economic resources measurement focus and the accrual method of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

C. Use of 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 affect the reported amounts and disclosures in financial statements. Actual results could differ from those estimates.

2. Cash

Cash in the amount of \$20,632 and \$20,631 at June 30, 2025 and 2024, respectively, consists of cash in a checking account with a depository financial institution.

Custodial credit risk is the risk that, in the event of failure of a depository financial institution, the Corporation will not be able to receive its deposits. The Corporation does not have a deposit policy for custodial credit risk. The Corporation's deposits at June 30, 2025 and 2024 are covered by the Federal Deposit Insurance Corporation (FDIC).

3. Related-Party Transactions

The Port charges the Corporation an administrative fee for all administrative costs incurred by the Port whenever the Port assists the Corporation in its conduit financing activities. No administration fee was charged by the Port during fiscal years 2025 and 2024 since the Corporation did not have any financing activities. The outstanding liability of the Corporation to the Port remains unpaid because the Corporation uses the money to maintain its checking account.

Report of Independent Auditors 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*

The Members of the Board of Harbor Commissioners
Los Angeles Harbor Improvement Corporation
Los Angeles, California

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 (*Government Auditing Standards*), the financial statements of the Los Angeles Harbor Improvement Corporation (“LAHIC”), a component unit of the Port of Los Angeles (Harbor Department of the City of Los Angeles, California) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise LAHIC’s basic financial statements, and have issued our report thereon dated January 21, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LAHIC’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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of LAHIC’s internal control. Accordingly, we do not express an opinion on the effectiveness of LAHIC’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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LAHIC's 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 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.

Baker Tilly US, LLP

El Segundo, California
January 21, 2026