



**DOWNTOWN  
LONG BEACH  
ALLIANCE**

**Consolidated Financial Statements  
September 30, 2019 and 2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Downtown Long Beach Alliance

### **Report on Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Downtown Long Beach Alliance (the Organization), (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Downtown Long Beach Alliance as of September 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the consolidated financial statements, the Downtown Long Beach Alliance adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities during the fiscal year ended September 30, 2019.

Also discussed in Note 1 to the consolidated financial statements, effective July 24, 2019, the Downtown Long Beach Alliance Executive Committee no longer served as the Board of Directors for the Long Beach Downtown Development Corporation, which resulted in a deconsolidation of the Long Beach Downtown Development Corporation from the consolidated financial statements as of July 24, 2019.

Our opinion is not modified with respect to these matters.

### **Report on Summarized Comparative Information**

We have previously audited the Downtown Long Beach Alliance's September 30, 2018 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated December 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as whole. The supplemental consolidating statement of financial position and the consolidating statement of activities on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



Long Beach, California  
January 7, 2020

**DOWNTOWN LONG BEACH ALLIANCE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,096,517	\$ 1,440,199
Accounts receivable	359,829	436,216
Other receivables	217,861	177,908
Prepaid expenses	32,372	29,480
Note receivable	45,000	-
	<u>1,751,579</u>	<u>2,083,803</u>
 <b>FURNITURE AND EQUIPMENT, net</b>	 <u>87,187</u>	 <u>113,461</u>
 <b>OTHER ASSETS</b>		
Deposits	<u>16,434</u>	<u>16,434</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 1,855,200</u></u>	 <u><u>\$ 2,213,698</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 280,732	\$ 403,110
Deferred revenue (Note 5)	<u>1,574,468</u>	<u>1,519,931</u>
	<u>1,855,200</u>	<u>1,923,041</u>
 <b>COMMITMENTS AND CONTINGENCY (Note 6)</b>		
 <b>NET ASSETS</b>		
Without donor restrictions	-	40,657
With donor restrictions	<u>-</u>	<u>250,000</u>
 <b>TOTAL NET ASSETS</b>	 <u>-</u>	 <u>290,657</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 1,855,200</u></u>	 <u><u>\$ 2,213,698</u></u>

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

# DOWNTOWN LONG BEACH ALLIANCE

## CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2019 - FOR DLBA FOR THE PERIOD OCTOBER 1, 2018 THRU JULY 24, 2019 FOR DDC

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>SUPPORT AND REVENUES</b>				
City of Long Beach:				
Downtown Parking and Business Improvement Area (DPBIA) funds	\$ 690,965	\$ -	\$ 690,965	\$ 627,661
City funds	409,487	-	409,487	372,900
Property Based Improvement District (PBID) funds	2,539,087	-	2,539,087	2,814,185
	<u>3,639,539</u>	<u>-</u>	<u>3,639,539</u>	<u>3,814,746</u>
<b>OTHER SUPPORT</b>				
Sponsorships	245,312	-	245,312	461,428
Program service revenue	467,208	-	467,208	299,610
Interest income	4,876	-	4,876	4,579
	<u>717,396</u>	<u>-</u>	<u>717,396</u>	<u>765,617</u>
Total Support and Revenues	<u>4,356,935</u>	<u>-</u>	<u>4,356,935</u>	<u>4,580,363</u>
<b>EXPENSES</b>				
Program Services				
Marketing and promotions	1,877,867	-	1,877,867	1,862,601
Operating	2,038,107	-	2,038,107	1,687,858
	<u>3,915,974</u>	<u>-</u>	<u>3,915,974</u>	<u>3,550,459</u>
Supporting Services				
General and administrative	495,189	-	495,189	743,909
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>4,411,163</u>	<u>-</u>	<u>4,411,163</u>	<u>4,294,368</u>
<b>CHANGE IN NET ASSETS</b>	(54,228)	-	(54,228)	285,995
<b>DECONSOLIDATION - CHANGE IN CONTROL OF DDC (NOTE 1)</b>	<u>13,571</u>	<u>(250,000)</u>	<u>(236,429)</u>	<u>-</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>40,657</u>	<u>250,000</u>	<u>290,657</u>	<u>4,662</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,657</u>

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

# DOWNTOWN LONG BEACH ALLIANCE

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2019						
	Program Services			Supporting Services	Totals	
	Marketing and Promotions	Operating	Total	General and Administrative	2019	2018
Contract services	\$ -	\$ 1,750,541	\$ 1,750,541	\$ -	\$ 1,750,541	\$ 1,680,953
Salaries and related expenses	716,827	185,914	902,741	272,214	1,174,955	1,133,743
Special event productions	409,559	-	409,559	-	409,559	378,872
Public realm	148,534	-	148,534	-	148,534	219,634
Rent	97,390	26,411	123,801	41,267	165,068	154,576
Advocacy	59,091	-	59,091	103,236	162,327	76,828
Professional services	59,017	16,005	75,022	25,007	100,029	68,871
DDC support	93,492	-	93,492	-	93,492	176,409
Marketing and advertising	88,670	-	88,670	-	88,670	104,773
Economic development	80,208	-	80,208	-	80,208	146,372
Depreciation	31,336	8,498	39,834	13,278	53,112	46,960
Computer expense	28,803	7,811	36,614	12,205	48,819	19,222
Community outreach	-	25,315	25,315	-	25,315	6,948
Office maintenance and repairs	13,400	3,634	17,034	5,678	22,712	-
Telephone	10,374	2,813	13,187	4,396	17,583	18,851
Office supplies	7,974	2,163	10,137	3,844	13,981	13,495
Office equipment lease expense	7,583	2,056	9,639	3,213	12,852	8,161
General insurance	4,884	1,325	6,209	2,070	8,279	7,875
Board meetings	9,447	2,562	12,009	4,003	16,012	20,723
Employee recruitment	2,867	778	3,645	1,215	4,860	2,759
Dues and subscriptions	2,680	727	3,407	1,135	4,542	-
Postage	2,183	592	2,775	925	3,700	4,145
Utilities	1,877	509	2,386	795	3,181	3,074
Taxes	1,421	385	1,806	602	2,408	627
Credit card merchant fees	209	57	266	89	355	292
Administrative services	41	11	52	17	69	205
Total Expenses	<u>\$ 1,877,867</u>	<u>\$ 2,038,107</u>	<u>\$ 3,915,974</u>	<u>\$ 495,189</u>	<u>\$ 4,411,163</u>	<u>\$ 4,294,368</u>
Percentage of Total Expenses:	43%	46%	89%	11%	100%	

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

**DOWNTOWN LONG BEACH ALLIANCE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (54,228)	\$ 285,995
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	53,112	46,960
(Increase) decrease in:		
Accounts receivable	76,387	(18,110)
Other receivables	(39,953)	(140,419)
Prepaid expenses	(2,892)	(2,284)
Increase (decrease) in:		
Accounts payable and accrued expenses	(120,739)	27,187
Deferred revenue	54,537	62,318
Net Cash (Used In) Provided By Operating Activities	<u>(33,776)</u>	<u>261,647</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(26,838)	(39,441)
Deconsolidation of DDC	(238,068)	-
Issuance of note receivable	(45,000)	-
Net Cash Used In Investing Activities	<u>(309,906)</u>	<u>(39,441)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligation	-	(1,544)
Net Cash Used In Financing Activities	<u>-</u>	<u>(1,544)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(343,682)	220,662
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,440,199</u>	<u>1,219,537</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,096,517</u>	<u>\$ 1,440,199</u>

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



## **DOWNTOWN LONG BEACH ALLIANCE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018**

#### **NOTE 1 – Summary of Significant Accounting Policies**

##### ***Organization***

Downtown Long Beach Alliance (DLBA) is a California nonprofit corporation organized to attract, stimulate and enhance business activity in downtown Long Beach (the City). To meet these goals, DLBA conducts marketing and public relations campaigns, holds special events, and provides a range of services, including maintenance functions and a guide program for downtown businesses and residents. DLBA also addresses specific merchant issues in order to improve the business atmosphere in the City.

Long Beach Downtown Development Corporation (DDC) was incorporated on March 2, 2011 as a California nonprofit corporation. The Executive Committee of DLBA served as the Board of Directors of DDC until July 24, 2019. Under this structure, DLBA exercised control over DDC and, as a result, DDC was consolidated with DLBA for financial statement presentation through July 24, 2019. DDC was organized to stimulate public and private investment, community partnerships and resources to support the revitalization of downtown Long Beach.

##### ***Consolidation and Change in Control***

On July 24, 2019, there was a formal Board resolution to transfer the power of authority of DDC to new officers. As a result of this resolution, the Executive Committee of the DLBA no longer serves as the Board of Directors of DDC. Since DLBA no longer has control over DDC, the entity was deconsolidated from DLBA effective July 24, 2019. Until that date, the consolidated financial statements included the accounts of DLBA and DDC (collectively referred to as the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation until the change in control event occurred.

**DOWNTOWN LONG BEACH ALLIANCE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

***Consolidation and Change in Control (Continued)***

The impact of deconsolidating DDC, effective July 24, 2019, was the removal of the following:

<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>283,068</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 1,639
Notes payable	<u>45,000</u>
	<u>46,639</u>
<b>NET ASSETS</b>	
With donor restrictions	<u>236,429</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>283,068</u></b>

***Basis of Presentation of Financial Statements***

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported as described below:

**Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions. Management may designate net assets without restrictions for general operational purposes from time to time. At September 30, 2018, \$40,657 of net assets were without donor restriction.

## **DOWNTOWN LONG BEACH ALLIANCE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018**

#### **NOTE 1 – Summary of Significant Accounting Policies (Continued)**

##### ***Basis of Presentation of Financial Statements (Continued)***

**With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization 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 statements of activities as net assets released from restrictions. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. During the year ended September 30, 2018, DDC received a donor restricted contribution in the amount of \$275,000. At September 30, 2018, \$250,000 of net assets were earmarked for community-based projects to be specified by the donor. At September 30, 2019, the Organization had no net assets.

##### ***Contributions***

All contributions are considered to be available for use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions and increases that net asset class. When a donor's stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Contributions, including endowment gifts and pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The cash flows are discounted at a discount rate commensurate with the risks involved, at the date the promise was made. When considered necessary, an allowance is recorded based on management's estimate of uncollectability, including such factors as prior collection history, type of contributions, and nature of fund-raising activities. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

## **DOWNTOWN LONG BEACH ALLIANCE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018**

#### **NOTE 1 – Summary of Significant Accounting Policies (Continued)**

##### ***Use of Estimates and Assumptions***

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support and revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements.

##### ***Recently Adopted Accounting Standard***

During fiscal year ended September 30, 2019, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities*. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, Downtown Long Beach Alliance updated net asset presentation in the consolidated financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

##### ***Cash and Cash Equivalents and Concentration of Credit Risk***

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

At September 30, 2019 and at various times during the year, the Organization maintained cash balances with financial institutions in excess of federally insured limits.

##### ***Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on management's assessment of the credit history and relationships regarding outstanding balances, it has concluded that realization of losses on balances outstanding at year-end will be immaterial.

## **DOWNTOWN LONG BEACH ALLIANCE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018**

#### **NOTE 1 – Summary of Significant Accounting Policies (Continued)**

##### ***Furniture and Equipment***

Furniture and equipment are stated at cost. Depreciation expense has been computed using the straight-line method over the estimated useful lives of three to nine years. Expenditures for repairs are expensed as incurred and major additions, renewals, and betterments are capitalized.

##### ***Advertising Costs***

The Organization expenses its advertising and promotion costs as incurred. Total advertising costs for the years ended September 30, 2019 and 2018 were \$43,726 and \$32,989, respectively.

##### ***Support and Revenue Recognition***

The Economic Development contract with the Downtown Parking and Business Improvement Area (DPBIA) has a special assessment associated with business licenses in the area. This contract has the same fiscal year as the Organization and has been ratified by the Long Beach City Council for the year ended September 30, 2019. The Organization is being provided these funds to promote business in downtown Long Beach.

The Economic Development contract with the Property Based Improvement District (PBID) has a special assessment associated with the real properties in the area. The PBID contract was adopted by the City Council in January 2013, is effective through December 2022, and includes provisions for review and adjustment after five years. The Organization is provided these funds to promote business in downtown Long Beach.

The Organization recognizes contract revenue from its City contracts when the revenues are fixed and determinable. The contract is adjusted monthly based on expenditures for the year. Any excess funds over expenditures are classified as deferred revenue and carried over into the next period.

The above contracts are contingent upon changes in rates on a year-to-year basis, success in collection of the above funds from the residents and businesses, and continued support from the Long Beach City Council. Also, in the event that the Organization does not contract with the City in any year, the Organization will return any funds in excess of expenditures classified as deferred revenue.

## **DOWNTOWN LONG BEACH ALLIANCE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018**

#### **NOTE 1 – Summary of Significant Accounting Policies (Continued)**

##### ***Allocation of Functional Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and other activities based upon the relative benefit received. All categories of expenses that are not directly related are allocated to one or more program and supporting functions based on the estimates of time and effort involved.

##### ***Income Taxes***

DLBA is exempt from federal income taxes under Internal Revenue Code Section 501(c)(6) and exempt from California franchise tax under Revenue and Taxation Code Section 23701(e).

DDC has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

The Organization recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

##### ***Recently Issued Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative-effect-transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact that the standard will have on the consolidated financial statements.



## **DOWNTOWN LONG BEACH ALLIANCE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018**

#### **NOTE 1 – Summary of Significant Accounting Policies (Continued)**

##### ***Recently Issued Accounting Pronouncements (Continued)***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. During October 2019, the FASB approved a deferral of the effective date of Topic 842 until annual reporting periods beginning after December 15, 2020. The Organization is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

##### ***Subsequent Events***

The Organization's management has evaluated subsequent events from the consolidated statement of financial position date through January 7, 2020, the date the consolidated financial statements were available to be issued for the year ended September 30, 2019, and determined that there were no other items to disclose.

# DOWNTOWN LONG BEACH ALLIANCE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

### NOTE 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at September 30, 2019:	
Cash and cash equivalents	\$ 1,096,517
Accounts receivable	359,829
Other receivables	<u>217,861</u>
	<u>1,674,207</u>
Less amounts not available to be used within one year due to:	
Three-month reserve required for PBID contract	<u>(662,295)</u>
Financial assets available to meet general expenditures within one year:	<u><u>\$ 1,011,912</u></u>

Downtown Long Beach Alliance maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### NOTE 3 – Furniture and Equipment

Furniture and equipment consists of the following:

	<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>
Office equipment	\$ 156,904	\$ 156,904
Operational equipment	200,814	173,976
Office furniture	<u>86,562</u>	<u>86,562</u>
	444,280	417,442
Less accumulated depreciation	<u>(357,093)</u>	<u>(303,981)</u>
	<u><u>\$ 87,187</u></u>	<u><u>\$ 113,461</u></u>

Depreciation expense for the years ended September 30, 2019 and 2018 was \$53,112 and \$46,960, respectively.



**DOWNTOWN LONG BEACH ALLIANCE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 4 – Note Receivable**

During the year ended September 30, 2019, DLBA issued a note receivable to DDC. The note receivable bears no interest. The agreement does not contain a stated due date but is classified as current based on management's anticipated collection date. The note receivable balance as of September 30, 2019 was \$45,000.

**NOTE 5 – DPBIA and PBID Revenue**

As discussed in Note 1, deferred revenue is recognized on contract revenue in excess of expenditures and is recorded as an increase (or decrease) of current year contract revenue.

Revenue reported consists of the following:

	<b>For the Year Ended September 30,</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Downtown Parking and Business Improvement Area funds (DPBIA)	\$ 690,965	\$ 677,760
Deferral adjustment	<u>-</u>	<u>(50,099)</u>
	<b><u>\$ 690,965</u></b>	<b><u>\$ 627,661</u></b>
Property Based Improvement District funds (PBID)	\$ 2,588,686	\$ 2,552,322
Deferral adjustment	<u>(49,599)</u>	<u>261,863</u>
	<b><u>\$ 2,539,087</u></b>	<b><u>\$ 2,814,185</u></b>

**DOWNTOWN LONG BEACH ALLIANCE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 5 – DPBIA and PBID Revenue (Continued)**

As of September 30, 2019, deferred revenue represents funds required to be reserved by contract or that are designated by the Board of Directors for future projects should the contract with the City be discontinued (see Note 1) as follows:

Three-month reserve for PBID contract	\$ 662,295
Unallocated PBID from 2018-2019	237,344
Reserve for DPBIA	178,531
City Funds – Parking Meter	239,854
Administration	111,055
Marketing and Communications	5,600
Special Events	299
Operations	979
Economic Development	2,549
Capital Improvements	<u>135,962</u>
	<u><u>\$ 1,574,468</u></u>

**NOTE 6 – Commitments and Contingency**

***Operating Leases***

The Organization is obligated under various operating leases for the rental of equipment and office facilities expiring in various years through May 2023. Future minimum lease commitments are as follows:

**For the  
Year Ending  
September 30,**

2020	\$ 145,866
2021	150,083
2022	153,096
2023	<u>101,374</u>
	<u><u>\$ 550,419</u></u>

## **DOWNTOWN LONG BEACH ALLIANCE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018**

#### **NOTE 6 – Commitments and Contingency (Continued)**

Office facility rental expense for the years ended September 30, 2019 and 2018 was \$165,068 and \$154,576, respectively. Equipment rental expense under cancelable and noncancelable operating leases for the years ended September 30, 2019 and 2018 was \$29,879 and \$71,404, respectively.

#### ***Maintenance Service Contracts***

The Organization has entered into an agreement for pressure washing services through February 2020, with an option to exercise a one-year option. Minimum annual expense for this contract is \$310,800. The Organization has also entered into an agreement for pressure washing services and Downtown ambassador services through December 2022. Total compensation to the vendor over the duration of the contract shall not exceed \$4.5 million unless it is formally amended. The Organization is also responsible for payment of health care costs for up to six employees of the vendor.

#### ***Contingency***

An audit may be performed by a City of Long Beach representative regarding the PBID and DPBIA contracts. Should such audit disclose any unallowable costs, the Organization may be liable to the City of Long Beach for reimbursement of such costs. In the opinion of the Organization's management, the effect of any disallowed costs would be immaterial to the consolidated financial statements at September 30, 2019.

#### ***Legal***

The Organization may be involved in various claims and lawsuits arising in the normal course of its operations. The Organization's management believes it has adequate defenses and insurance coverage for these actions.

#### **NOTE 7 – Retirement Plans**

The Organization sponsors a discretionary salary savings plan, including a 401(k) provision, which allows employee contributions. The plan covers all salaried employees meeting certain eligibility requirements. Employer contributions for the years ended September 30, 2019 and 2018 was \$18,844 and \$23,839, respectively.

**DOWNTOWN LONG BEACH ALLIANCE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 8 – Supplemental Disclosures of Cash Flow Information**

	<b>For the Year Ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
Cash paid during the year for:		
Interest	\$ -	\$ 25

**DOWNTOWN LONG BEACH ALLIANCE**

**SUPPLEMENTARY INFORMATION  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2019**

**ASSETS**

	<u>DLBA</u>	<u>DDC</u>	<u>Elimination Entries</u>	<u>Consolidated Balance</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,096,517	\$ -	\$ -	\$ 1,096,517
Accounts receivable	359,829	-	-	359,829
Other receivables	217,861	-	-	217,861
Prepaid expenses	32,372	-	-	32,372
Note receivable	45,000	-	-	45,000
	<u>1,751,579</u>	<u>-</u>	<u>-</u>	<u>1,751,579</u>
<b>FURNITURE AND EQUIPMENT, net</b>	<u>87,187</u>	<u>-</u>	<u>-</u>	<u>87,187</u>
<b>OTHER ASSETS</b>				
Deposits	<u>16,434</u>	<u>-</u>	<u>-</u>	<u>16,434</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,855,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,855,200</u>

**LIABILITIES**

<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 280,732	\$ -	\$ -	\$ 280,732
Deferred revenue	<u>1,574,468</u>	<u>-</u>	<u>-</u>	<u>1,574,468</u>
	<u>1,855,200</u>	<u>-</u>	<u>-</u>	<u>1,855,200</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,855,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,855,200</u>

See Independent Auditors' Report

# DOWNTOWN LONG BEACH ALLIANCE

## SUPPLEMENTARY INFORMATION CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2019 - FOR DLBA FOR THE PERIOD OCTOBER 1, 2018 THRU JULY 24, 2019 FOR DDC

	<u>DLBA</u>	<u>DDC</u>	<u>Elimination Entries</u>	<u>Consolidated Balance</u>
<b>SUPPORT AND REVENUES</b>				
City of Long Beach:				
Downtown Parking and Business Improvement Area (DPBIA) funds	\$ 690,965	\$ -	\$ -	\$ 690,965
City funds	409,487	-	-	409,487
Property Based Improvement District (PBID) funds	<u>2,539,087</u>	<u>-</u>	<u>-</u>	<u>2,539,087</u>
	<u>3,639,539</u>	<u>-</u>	<u>-</u>	<u>3,639,539</u>
<b>OTHER SUPPORT</b>				
Sponsorships	244,312	37,000	(36,000)	245,312
Program service revenue	464,479	2,729	-	467,208
Interest income	<u>4,876</u>	<u>-</u>	<u>-</u>	<u>4,876</u>
	<u>713,667</u>	<u>39,729</u>	<u>(36,000)</u>	<u>717,396</u>
<b>Total Support and Revenues</b>	<u>4,353,206</u>	<u>39,729</u>	<u>(36,000)</u>	<u>4,356,935</u>
<b>EXPENSES</b>				
Program Services				
Marketing and promotions	1,820,375	93,957	(36,000)	1,878,332
Operating	<u>2,038,107</u>	<u>-</u>	<u>-</u>	<u>2,038,107</u>
	3,858,482	93,957	(36,000)	3,916,439
Supporting Services				
General and administrative	<u>494,724</u>	<u>-</u>	<u>-</u>	<u>494,724</u>
<b>Total Expenses</b>	<u>4,353,206</u>	<u>93,957</u>	<u>(36,000)</u>	<u>4,411,163</u>
<b>CHANGE IN NET ASSETS</b>	-	(54,228)	-	(54,228)
<b>DECONSOLIDATION - CHANGE IN CONTROL OF DDC (NOTE 1)</b>	-	(236,429)	-	(236,429)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>-</u>	<u>290,657</u>	<u>-</u>	<u>290,657</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report