



DOWNTOWN LONG BEACH ALLIANCE

**Financial Statements
September 30, 2020 and 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Downtown Long Beach Alliance

Report on Financial Statements

We have audited the accompanying financial statements of Downtown Long Beach Alliance (the Organization), (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downtown Long Beach Alliance as of September 30, 2020 and 2019, 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.

Emphasis of Matters

As discussed in Note 1 of the notes to the financial statements, during the year ended September 30, 2020, Downtown Long Beach Alliance adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

Also discussed in Note 1 to the 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 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, 2019 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated January 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Winder, Inc.

Long Beach, California
January 13, 2021

DOWNTOWN LONG BEACH ALLIANCE
STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,012,327	\$ 1,096,517
Accounts receivable	1,143,276	359,829
Other receivables	28,530	217,861
Prepaid expenses	35,868	32,372
Note receivable	-	45,000
	<u>2,220,001</u>	<u>1,751,579</u>
 FURNITURE AND EQUIPMENT, net	 <u>63,010</u>	 <u>87,187</u>
 OTHER ASSETS		
Deposits	<u>16,434</u>	<u>16,434</u>
 TOTAL ASSETS	 <u><u>\$ 2,299,445</u></u>	 <u><u>\$ 1,855,200</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 247,302	\$ 280,732
Deferred revenue (Note 5)	<u>2,052,143</u>	<u>1,574,468</u>
	<u>2,299,445</u>	<u>1,855,200</u>
 COMMITMENTS AND CONTINGENCY (Note 6)		
 NET ASSETS WITHOUT DONOR RESTRICTIONS	 <u>None</u>	 <u>None</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,299,445</u></u>	 <u><u>\$ 1,855,200</u></u>

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

DOWNTOWN LONG BEACH ALLIANCE

STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	<u>Total</u>	
	<u>2020</u>	<u>2019</u>
SUPPORT AND REVENUE		
City of Long Beach:		
Downtown Parking and Business Improvement Area (DPBIA) funds	\$ 716,160	\$ 690,965
City funds	197,344	409,487
Property Based Improvement District (PBID) funds	<u>2,269,141</u>	<u>2,539,087</u>
	<u>3,182,645</u>	<u>3,639,539</u>
OTHER SUPPORT		
Sponsorships	49,429	245,312
Program service revenue	603,866	467,208
Interest income	<u>5,149</u>	<u>4,876</u>
	<u>658,444</u>	<u>717,396</u>
 Total Support and Revenue	 <u>3,841,089</u>	 <u>4,356,935</u>
EXPENSES		
Program Services		
Marketing and promotions	1,387,226	1,877,867
Operating	<u>2,027,068</u>	<u>2,038,107</u>
	<u>3,414,294</u>	<u>3,915,974</u>
Supporting Services		
General and administrative	<u>426,795</u>	<u>495,189</u>
 Total Expenses	 <u>3,841,089</u>	 <u>4,411,163</u>
CHANGE IN NET ASSETS	-	(54,228)
DECONSOLIDATION-CHANGE IN CONTROL OF DDC - NOTE 1	-	(236,429)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>-</u>	<u>290,657</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

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

DOWNTOWN LONG BEACH ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2020

	Program Services			Supporting Services	Totals	
	Marketing and Promotions	Operating	Total	General and Administrative	2020	2019
Contract services	\$ -	\$ 1,770,288	\$ 1,770,288	\$ -	\$ 1,770,288	\$ 1,750,541
Salaries and related expenses	654,850	183,427	838,277	261,390	1,099,667	1,174,955
Special event productions	92,974	-	92,974	-	92,974	409,559
Public realm	90,815	-	90,815	-	90,815	148,534
Rent	104,993	28,473	133,466	44,488	177,954	165,068
Advocacy	72,291	-	72,291	56,599	128,890	162,327
Professional services	66,899	18,142	85,041	28,347	113,388	100,029
DDC support	-	-	-	-	-	93,492
Marketing and advertising	83,911	-	83,911	-	83,911	88,670
Economic development	135,604	-	135,604	-	135,604	80,208
Depreciation	14,264	3,868	18,132	6,045	24,177	53,112
Computer expense	17,813	4,830	22,643	7,548	30,191	48,819
Community outreach	-	3,718	3,718	-	3,718	25,315
Office maintenance and repairs	2,764	750	3,514	1,171	4,685	22,712
Telephone	10,929	2,964	13,893	4,631	18,524	17,583
Office supplies	4,871	1,321	6,192	2,064	8,256	13,981
Office equipment lease expense	6,457	1,751	8,208	2,736	10,944	12,852
General insurance	9,914	2,688	12,602	4,201	16,803	8,279
Board meetings	4,684	1,270	5,954	1,985	7,939	16,012
Employee recruitment	3,531	958	4,489	1,496	5,985	4,860
Dues and subscriptions	3,021	819	3,840	1,279	5,119	4,542
Postage	2,236	606	2,842	948	3,790	3,700
Utilities	1,612	437	2,049	683	2,732	3,181
Taxes	1,635	444	2,079	693	2,772	2,408
Credit card merchant fees	493	134	627	209	836	355
Board Contingency	665	180	845	282	1,127	69
Total Expenses	\$ 1,387,226	\$ 2,027,068	\$ 3,414,294	\$ 426,795	\$ 3,841,089	\$ 4,411,163
Percentage of Total Expenses:	36%	53%	89%	11%	100%	

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

DOWNTOWN LONG BEACH ALLIANCE

STATEMENTS OF CASH FLOWS

	For the Year Ended September 30,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ -	\$ (54,228)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	24,177	53,112
(Increase) decrease in:		
Accounts receivable	(783,447)	76,387
Other receivables	189,331	(39,953)
Prepaid expenses	(3,496)	(2,892)
Increase (decrease) in:		
Accounts payable and accrued expenses	(33,430)	(120,739)
Deferred revenue	477,675	54,537
Net Cash Used In Operating Activities	<u>(129,190)</u>	<u>(33,776)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	-	(26,838)
Deconsolidation of DDC	-	(238,068)
(Issuance) collection of note receivable	45,000	(45,000)
Net Cash Provided By (Used In) Investing Activities	<u>45,000</u>	<u>(309,906)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(84,190)	(343,682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,096,517</u>	<u>1,440,199</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,012,327</u></u>	<u><u>\$ 1,096,517</u></u>

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

DOWNTOWN LONG BEACH ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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 as of and for the year-ended September 30, 2019 included the accounts of DLBA and DDC (collectively referred to as the Organization). All significant intercompany accounts and transactions were eliminated in consolidation until the change in control event occurred.

DOWNTOWN LONG BEACH ALLIANCE

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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:

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

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 revenue 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.

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. At September 30, 2020 and 2019, the Organization had no donor restricted net assets.

DOWNTOWN LONG BEACH ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing 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 financial statements.

DOWNTOWN LONG BEACH ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Standards

During 2019, the Organization adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes the revenue recognition requirements in *Revenue Recognition* (Topic 605). This ASU requires an entity to recognize revenue when goods are transferred or services are provided to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures enabling users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU permits the use of either a full-retrospective transition method or a modified-retrospective transition method with the cumulative effect adjusted to the opening balance of retained earnings. The Organization has elected the use of the modified-retrospective method. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

During the year ended September 30, 2020, Downtown Long Beach Alliance adopted Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU 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. 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, 2020 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 FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019 were \$52,174 and \$43,726, 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, 2020. 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 contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional contributions - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

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, 2020. The Organization is being provided these funds, to benefit citizens of Long Beach, by promoting business in downtown Long Beach.

DOWNTOWN LONG BEACH ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Support and Revenue Recognition (Continued)

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 benefit citizens of Long Beach, to promote business in downtown Long Beach.

The Organization recognizes contract revenue from its contracts with the City when the revenue is fixed and determinable and conditions are met. The contract is adjusted monthly based on expenditures for the year. Any excess funds not expended are classified as deferred revenue and carried over for use in the next period. Consequently, at September 30, 2020 and 2019, conditional contributions approximating \$2,052,143 and \$1,574,468, have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend has not yet been met.

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.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the 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 programs and supporting functions based on the estimates of time and effort involved.

DOWNTOWN LONG BEACH ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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 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 Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). 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 statement 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. In June 2020, the FASB issued ASU 2020-05, which deferred the mandatory effective date for not-for-profit entities to fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

The Organization’s management has evaluated subsequent events from the statement of financial position date through January 13, 2021, the date the financial statements were available to be issued for the year ended September 30, 2020, and determined that there were no other items to disclose.

DOWNTOWN LONG BEACH ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

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 statement of financial position date, comprise the following:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 1,012,327	\$ 1,096,517
Accounts receivable	1,143,276	359,829
Other receivables	<u>28,530</u>	<u>217,861</u>
	<u>2,184,133</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>(525,534)</u>	<u>(662,295)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 1,658,599</u>	<u>\$ 1,011,912</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>2020</u>	<u>2019</u>
Office equipment	\$ 156,904	\$ 156,904
Operational equipment	200,814	200,814
Office furniture	<u>86,562</u>	<u>86,562</u>
	444,280	444,280
Less accumulated depreciation	<u>(381,270)</u>	<u>(357,093)</u>
	<u>\$ 63,010</u>	<u>\$ 87,187</u>

Depreciation expense for the years ended September 30, 2020 and 2019 was \$24,177 and \$53,112, respectively.

DOWNTOWN LONG BEACH ALLIANCE

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 4 – Note Receivable

During the year ended September 30, 2019, DLBA issued a no interest note receivable to DDC for \$45,000. The note was repaid in full during the year ended September 30, 2020.

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:

	For the Year Ended September 30,	
	2020	2019
Downtown Parking and Business Improvement Area funds (DPBIA)	<u>\$ 716,160</u>	<u>\$ 690,965</u>
Property Based Improvement District funds (PBID)	\$ 2,686,818	\$ 2,588,686
Deferral adjustment	<u>(417,677)</u>	<u>(49,599)</u>
	<u>\$ 2,269,141</u>	<u>\$ 2,539,087</u>

As of September 30, 2020, 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	\$ 525,534
Unallocated PBID from 2019-2020	898,393
Reserve for DPBIA	187,452
City Funds – Parking Meter	239,854
Administration	33,570
Marketing and Communications	5,600
Special Events	298
EES and WOBA	60,000
Capital Improvements	<u>101,442</u>
	<u>\$ 2,052,143</u>

DOWNTOWN LONG BEACH ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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,**

2021	\$ 150,083
2022	153,096
2023	<u>101,374</u>
	<u><u>\$ 404,553</u></u>

Office facility rental expense for the years ended September 30, 2020 and 2019 was \$173,369 and \$165,068, respectively. Equipment rental expense under cancelable and noncancelable operating leases for the years ended September 30, 2020 and 2019 was \$23,599 and \$29,879, respectively.

Maintenance Service Contracts

The Organization has 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 financial statements at September 30, 2020.

DOWNTOWN LONG BEACH ALLIANCE

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 6 – Commitments and Contingency (Continued)

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, 2020 and 2019 was \$26,831 and \$18,844, respectively.

NOTE 8 – Organization Risks Associated with the Impact of COVID-19

The Organization's operations may be affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, reduction in revenue from contracts with the City of Long Beach and a reduction in revenue from special events, which could result in a material impact on the Organization's financial position and operating results. There is significant uncertainty as to the severity and longevity of the outbreak and management is in the process of evaluating the impact on the business and its financial statements.