



**DOWNTOWN  
LONG BEACH  
ALLIANCE**

**Financial Statements  
September 30, 2022  
(with Summary Comparative Information for 2021)**

## **CONTENTS**

Independent Auditors' Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements .....	7-15

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Downtown Long Beach Alliance

### **Opinion**

We have audited the accompanying financial statements of Downtown Long Beach Alliance (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downtown Long Beach Alliance (the Organization) as of September 30, 2022, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

### ***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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' 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 auditors' 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 generally accepted 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, including omissions, 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 generally accepted 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 the Organization'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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.

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

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California  
December 9, 2022

**DOWNTOWN LONG BEACH ALLIANCE**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

**ASSETS**

	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 717,869	\$ 1,816,569
Accounts receivable	1,556,503	692,602
Other receivables	19	394
Prepaid expenses	35,830	29,378
	<u>2,310,221</u>	<u>2,538,943</u>
 <b>FURNITURE AND EQUIPMENT, net</b>	<u>20,480</u>	<u>37,608</u>
 <b>OTHER ASSETS</b>		
Deposits	<u>16,434</u>	<u>16,434</u>
 <b>TOTAL ASSETS</b>	<u>\$ 2,347,135</u>	<u>\$ 2,592,985</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 326,861	\$ 535,245
Deferred revenue (Note 4)	2,020,274	2,057,740
	<u>2,347,135</u>	<u>2,592,985</u>
 <b>COMMITMENTS AND CONTINGENCY (Note 6)</b>		
 <b>NET ASSETS</b>	<u>-</u>	<u>-</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,347,135</u>	<u>\$ 2,592,985</u>

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

**DOWNTOWN LONG BEACH ALLIANCE**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

	<b>2022</b>	<b>2021</b>
<b>SUPPORT AND REVENUE</b>		
City of Long Beach:		
Downtown Parking and Business Improvement Area (DPBIA) funds	\$ 365,284	\$ 594,382
City funds	267,985	225,907
Property Based Improvement District (PBID) funds	3,519,259	2,788,983
	4,152,528	3,609,272
<b>OTHER SUPPORT</b>		
Paycheck Protection Program loan forgiveness income	-	160,097
Cares Act grant	-	229,342
Sponsorships	107,191	-
Program service revenue	682,014	517,751
Interest income	3,879	6,761
	793,084	913,951
Total Support and Revenue	4,945,612	4,523,223
<b>EXPENSES</b>		
Program Services		
Downtown enhancement	2,085,330	1,932,041
Clean and safe services	2,409,597	2,133,703
	4,494,927	4,065,744
Supporting Services		
General and administrative	450,685	457,479
Total Expenses	4,945,612	4,523,223
<b>CHANGE IN NET ASSETS</b>	-	-
<b>NET ASSETS WITHOUT DONOR RESTRICTION, BEGINNING OF YEAR</b>	-	-
<b>NET ASSETS WITHOUT DONOR RESTRICTION, END OF YEAR</b>	\$ -	\$ -

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

**DOWNTOWN LONG BEACH ALLIANCE**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

	Program Services			Supporting Services	Totals	
	Downtown Enhancement	Clean and Safe Services	Total	General and Administrative	2022	2021
Clean and safe services	\$ -	\$ 2,068,990	\$ 2,068,990	\$ -	\$ 2,068,990	\$ 1,942,812
Salaries and related expenses	877,084	247,213	1,124,297	285,126	1,409,423	1,245,714
Special event productions	291,838	-	291,838	-	291,838	25,385
Placemaking	87,867	-	87,867	-	87,867	248,145
Office rent	112,028	31,576	143,604	36,419	180,023	175,968
Advocacy	260,016	-	260,016	-	260,016	190,906
Professional services	45,922	18,950	64,872	79,123	143,995	222,889
Marketing and advertising	70,881	-	70,881	-	70,881	99,694
Economic development	188,618	-	188,618	-	188,618	193,064
Depreciation	13,502	1,036	14,538	2,590	17,128	25,402
Computers	19,215	5,416	24,631	4,852	29,483	14,913
Community and homeless outreach	-	3,055	3,055	-	3,055	3,149
Office maintenance and repairs	609	172	781	198	979	10,629
Telephone	10,277	2,897	13,174	3,341	16,515	20,239
Office supplies	8,198	2,311	10,509	2,665	13,174	19,595
Office equipment leases	5,552	1,565	7,117	1,805	8,922	11,711
Board contingency	2,727	769	3,496	886	4,382	991
Administrative services	1,289	363	1,652	419	2,071	-
General insurance	24,813	6,994	31,807	8,066	39,873	17,194
Board meetings	164	46	210	53	263	3,291
Holiday party and gifts	4,161	1,173	5,334	1,353	6,687	1,984
Bad debt	-	-	-	4,099	4,099	27,178
Employee recruitment	48,670	13,718	62,388	15,822	78,210	3,590
Dues and subscriptions	2,952	832	3,784	960	4,744	5,558
Postage	5,756	1,622	7,378	1,871	9,249	5,778
Utilities	1,148	324	1,472	373	1,845	1,764
Taxes	456	128	584	148	732	4,339
Credit card merchant fees	1,587	447	2,034	516	2,550	1,341
<b>Total Expenses</b>	<b>\$ 2,085,330</b>	<b>\$ 2,409,597</b>	<b>\$ 4,494,927</b>	<b>\$ 450,685</b>	<b>\$ 4,945,612</b>	<b>\$ 4,523,223</b>
Percentage of Total Expenses:	42%	49%	91%	9%	100%	

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

**DOWNTOWN LONG BEACH ALLIANCE**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	17,128	25,402
PPP loan forgiveness	-	(160,097)
(Increase) decrease in:		
Accounts receivable	(863,901)	450,674
Other receivables	375	28,136
Prepaid expenses	(6,452)	6,490
Increase (decrease) in:		
Accounts payable and accrued expenses	(208,384)	287,943
Deferred revenue	(37,466)	5,597
Net Cash Provided By (Used In) Operating Activities	(1,098,700)	644,145
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	-	160,097
Net Cash Provided By Investing Activities	-	160,097
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,098,700)	804,242
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,816,569	1,012,327
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 717,869	\$ 1,816,569

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



**DOWNTOWN LONG BEACH ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

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

*Organization*

Downtown Long Beach Alliance (DLBA or the Organization) 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.

*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 restrictions that 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 restrictions are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity.

**DOWNTOWN LONG BEACH ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

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

*Basis of Presentation of Financial Statements (Continued)*

At September 30, 2022 and 2021, the Organization did not have either net assets without donor restrictions or net assets with donor restrictions.

*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 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. 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. 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 revenue 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, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

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

*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, 2022 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. Accounts identified as uncollectible are written off to bad debt expense.

*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, 2022 and 2021 were \$35,199 and \$27,554, 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, 2022. The Organization is 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, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

**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. In May 2022, the PBID contract was renewed for another ten-year term through December 2032. The Organization is provided these funds to benefit citizens of Long Beach to promote business in downtown Long Beach.

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 is required to return any funds in excess of expenditures classified as deferred revenue.

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 are carried over for use in the next period. Consequently, at September 30, 2022 and 2021, conditional contributions of \$2,020,274 and \$2,057,740, respectively, have not been recognized in the accompanying statements of activities because the conditions on which they depend have not yet been met.

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.

*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, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

**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).

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 and functional expenses. The new standard is effective for the Organization for the fiscal year ending September 30, 2023. The new lease standard requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

***Comparative Totals***

The financial statements include certain prior-year summarized comparative information. 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 Organization's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

***Subsequent Events***

The Organization's management has evaluated subsequent events from the statements of financial position date through December 9, 2022, the date the financial statements were available to be issued for the year ended September 30, 2022.

**DOWNTOWN LONG BEACH ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

**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 statements of financial position date, comprise the following:

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 717,869	\$ 1,816,569
Accounts receivable	1,556,503	692,602
Other receivables	19	394
	<u>2,274,391</u>	<u>2,509,565</u>
Less amounts not available to be used within one year due to:		
Three-month reserve required for PBID contract	<u>(738,613)</u>	<u>(706,040)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,535,778</u>	<u>\$ 1,803,525</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>2022</u>	<u>2021</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>(423,800)</u>	<u>(406,672)</u>
	<u>\$ 20,480</u>	<u>\$ 37,608</u>

Depreciation expense for the years ended September 30, 2022 and 2021 was \$17,128 and \$25,402, respectively.

**DOWNTOWN LONG BEACH ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

**NOTE 4 – 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>2022</b>	<b>2021</b>
Downtown Parking and Business Improvement Area funds (DPBIA)	<u>\$ 365,284</u>	<u>\$ 594,382</u>
Property Based Improvement District funds (PBID)	\$ 2,919,169	\$ 2,820,592
Deferral adjustment	<u>600,090</u>	<u>(31,609)</u>
	<u>\$ 3,519,259</u>	<u>\$ 2,788,983</u>

As of September 30, 2022, 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	\$ 738,613
Reserve for DPBIA	363,993
Unallocated PBID from 2018-2019	349,204
Unallocated PBID from 2017-2018	52,452
City Funds – parking meter	239,854
LB recovery act grant	273,000
Administration	<u>3,158</u>
	<u>\$ 2,020,274</u>

**DOWNTOWN LONG BEACH ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

**NOTE 5 – Paycheck Protection Program, Provider Relief Funds, and Recovery Act Grant**

***Paycheck Protection Program (PPP)***

In March 2021, the Organization received a loan in the amount of \$160,097 through the PPP. In August 2021, the Organization received notification from the Small Business Administration (SBA) that the loan from the PPP loan were forgiven in full, and recognized the income from this loan forgiveness as income on the statements of activities.

***Provider Relief Funds***

In October 2021, the City of Long Beach granted the Organization a portion of the funds the City received from the Coronavirus Relief Fund. These funds were awarded to cover a portion of additional costs and expenses incurred by the Organization due to the COVID-19 outbreak and the related restrictions. The Organization has recognized the related grant income of \$229,342 as CARES Act grant income on the statement of activities.

***City of Long Beach Recovery Act Grant***

In June 2022, the City of Long Beach granted the Organization a portion of the funds the City received from the American Rescue Plan Act. These funds were awarded to help support businesses and local economic recovery in Parking and Business Improvement Areas and Business Improvement Districts (“BIDs”) through the COVID-19 pandemic. The Organization has not recognized the related grant income of \$273,000 in the accompanying statements of activities because the conditions on which they depend have not yet been met.

**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,**

2023

\$ 101,374



**DOWNTOWN LONG BEACH ALLIANCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

**NOTE 6 – Commitments and Contingency (continued)**

*Operating Leases (continued)*

Office facility rental expense for the years ended September 30, 2022 and 2021 was \$180,023 and \$175,968, respectively. Equipment rental expense under cancelable and noncancelable operating leases for the years ended September 30, 2022 and 2021 was \$66,163 and \$41,304, respectively, of which, \$57,241 and \$29,593 are recorded as part of clean and safe services on the statement of functional expenses.

*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 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, 2022.

*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 and employer contributions. The plan covers all salaried employees meeting certain eligibility requirements. Employer contributions for the years ended September 30, 2022 and 2021 was \$22,740 and \$25,408, respectively.