



**DOWNTOWN  
LONG BEACH  
ALLIANCE**

**Report to the Audit Committee  
of the Board of Directors**

**Results of the September 30, 2020  
Audit**

**Presented by Windes, Inc.**



Long Beach | Irvine | Los Angeles

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December 16, 2020

To the Audit Committee of  
Downtown Long Beach Alliance

We are pleased to have the opportunity to discuss the results of our audit of the September 30, 2020 financial statements of Downtown Long Beach Alliance (the Organization).

The accompanying report is intended solely for use by the Audit Committee, the Board of Directors, and management and presents information regarding our audit and certain other information we believe will be of interest to you, and is not intended to be and should not be used by anyone other than these specified parties.

A direct line of communication between the Audit Committee, the Board of Directors and Windes, Inc. is essential to the exercise of our respective responsibilities. Our appointment involves a responsibility on our part to call to your attention any significant matters we believe require your consideration, either at a regularly scheduled meeting or on a timelier basis, if warranted. Should you have any questions or observations, please call Lisa Carrick, the engagement partner, at (562) 435-1191 or [lcarrick@windes.com](mailto:lcarrick@windes.com).

Sincerely,

*Windes, Inc.*

## Financial Statements

- We have completed our audit of the financial statements of the Organization for the year ended September 30, 2020, for which we expect to issue an unmodified opinion.
- Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 3, 2020. Professional standards also require that we communicate to you the following information related to our audit.

## Internal Controls

- In planning and performing our audit of the Organization's financial statements as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal controls over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal controls.
- In the context of our audit, we obtained an understanding of the procedural controls surrounding certain accounting systems. Significant internal control processes, including disbursements, payroll, and accounting for revenue, were analyzed to gain an understanding of the Organization's internal controls. We also obtained an understanding of the Organization's information technology systems as it impacts the reporting processes.
- A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weaknesses, yet important enough to merit attention by those charged with governance.

### **Internal Controls (Continued)**

- Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **Qualitative Aspects of Accounting Practices**

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. During 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. No other new accounting policies were adopted and the application of other existing policies was not changed during 2020.
- We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus.
- All significant transactions have been recognized in the financial statements in the proper period.
- Accounting estimates are an integral part of financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the allocation of functional expense.
- The financial statement disclosures are neutral, consistent, and clear.
- We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Difficulties Encountered in Performing the Audit**

## Corrected Misstatements

- Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

### **Corrected Misstatements**

#### To properly adjust prepaid that was incorrectly recorded to A/P

Prepaid expense	\$22,604	
A/P Trade		\$22,604

#### To record receivable on a 3-year commitment for Famers & Merchant bank Legacy Partnership entered into prior to 9/30/20

A/R Promotional Activity	\$60,000	
Unearned Revenue		\$60,000

## Uncorrected Misstatements

The following adjustments were identified as a result of audit procedures but were not material in aggregate and were not recorded in the financial statements:

### ***Passed Adjustments (Not corrected)***

<b>To record deferred rent associated with office space lease</b>		
Net assets	\$35,415	
Rent expense		\$3,958
Deferred rent		\$31,457

<b>To record Xerox as capital lease (rather than operating lease) and record asset, liability, and related payments.</b>		
Office equipment	\$23,338	
Capital lease payable		\$23,338
Capital lease payable (current year payment)	\$4,716	
Interest expense	\$601	
Office equipment lease		\$5,317

**Uncorrected Misstatements  
(Continued)**

***Significant Passed Adjustments (Not corrected)***

**To record Xerox as capital lease (rather than operating lease) and record asset, liability, and related payments (Continued)**

Net assets	\$10,502	
Office equipment – depreciation expense	4,668	
Office equipment – accumulated depreciation		\$15,170

**To record gain contingency on lawsuit**

Other receivables	\$7,500	
Other revenue		\$7,500

**Disagreements with Management**

- For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

- We will request certain representations from management that are included in the management representation letter to be received at issuance.

**Management Consultations with Other Independent Accountants**

- In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Supplementary Information**

- With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## Summary of Some Recent Audit and Accounting Standards Affecting Nonprofit Organizations

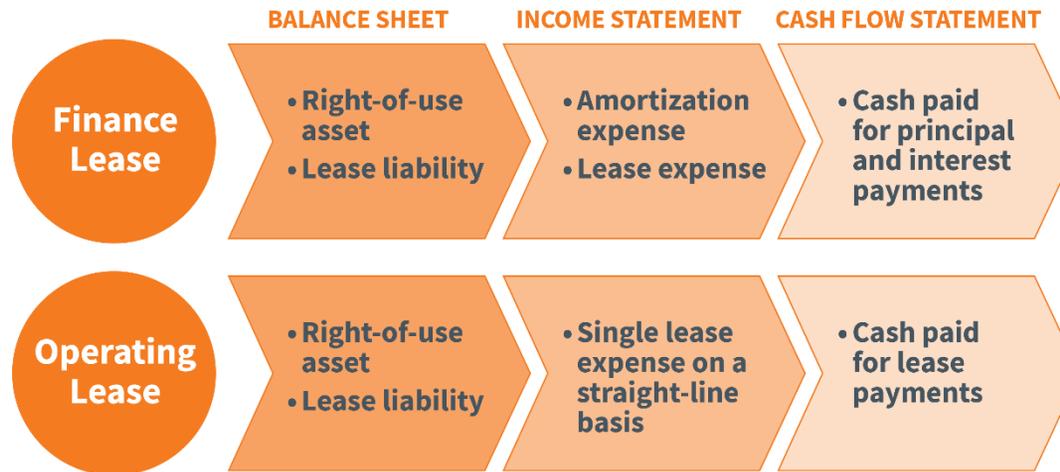
Below are new FASB accounting standards updates that are notable or may have an effect on the Organization.

### To Be Adopted No Later Than Fiscal year September 30, 2022:

2016-02 – Leases (Topic 842)

Lessees are required to recognize lease assets and lease liabilities on the balance sheet 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 income statement.

### Lessee accounting treatment has been updated as follows:



Source: FASB in focus, Accounting Standards Update No. 2016-02, Leases (Topic 842), February 25, 2016

# WINDES

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