

**PRELIMINARY DRAFT STAMP
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For Management Review Only**

**DOWNTOWN LONG BEACH ALLIANCE
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH SUMMARY COMPARATIVE INFORMATION FOR 2022)**

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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, 2023, 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, 2023, 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.

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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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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Long Beach, California

[REPORT DATE]

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DOWNTOWN LONG BEACH ALLIANCE

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,113,344	\$ 717,869
Accounts receivable	763,264	1,556,503
Other receivables	-	19
Prepaid expenses	93,927	35,830
	1,970,535	2,310,221
FURNITURE AND EQUIPMENT, net	8,172	20,480
OTHER ASSETS		
Deposits	16,434	16,434
TOTAL ASSETS	\$ 1,995,141	\$ 2,347,135

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 318,297	\$ 326,861
Deferred revenue (Note 4)	1,676,844	2,020,274
	1,995,141	2,347,135
COMMITMENTS AND CONTINGENCY (Note 6)		
NET ASSETS	-	-
TOTAL LIABILITIES AND NET ASSETS	\$ 1,995,141	\$ 2,347,135

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

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STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
SUPPORT AND REVENUE		
Downtown Parking and Business Improvement Area (DPBIA) assessments	\$ 727,526	\$ 365,284
City funds	253,569	267,985
Property Based Improvement District (PBID) assessments	3,482,146	3,519,259
	<u>4,463,241</u>	<u>4,152,528</u>
OTHER SUPPORT		
Grants	133,607	-
Sponsorships	155,130	107,191
Program service revenue	670,761	682,014
Interest income	3,283	3,879
	<u>962,781</u>	<u>793,084</u>
Total Support and Revenue	<u>5,426,022</u>	<u>4,945,612</u>
EXPENSES		
Program Services		
Downtown enhancement	2,055,124	2,085,330
Clean and safe services	3,040,950	2,409,597
	<u>5,096,074</u>	<u>4,494,927</u>
Supporting Services		
General and administrative	329,948	450,685
	<u>329,948</u>	<u>450,685</u>
Total Expenses	<u>5,426,022</u>	<u>4,945,612</u>
CHANGE IN NET ASSETS	-	-
NET ASSETS WITHOUT DONOR RESTRICTION, BEGINNING OF YEAR	-	-
NET ASSETS WITHOUT DONOR RESTRICTION, END OF YEAR	\$ -	\$ -

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

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DOWNTOWN LONG BEACH ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>Program Services</u>			<u>Supporting Services</u>	<u>Totals</u>	
	<u>Downtown Enhancement</u>	<u>Clean and Safe Services</u>	<u>Total</u>	<u>General and Administrative</u>	<u>2023</u>	<u>2022</u>
Clean and safe services	\$ -	\$ 2,561,666	\$ 2,561,666	\$ -	\$ 2,561,666	\$ 2,068,990
Salaries and related expenses	879,023	351,609	1,230,632	234,406	1,465,038	1,409,423
Special event productions	346,851	-	346,851	-	346,851	291,838
Economic development	225,486	-	225,486	-	225,486	188,618
Office rent	129,219	51,688	180,907	34,458	215,365	180,023
Placemaking	126,786	-	126,786	-	126,786	87,867
Marketing and advertising	109,924	-	109,924	-	109,924	70,881
Professional services	60,418	24,500	84,918	20,400	105,318	143,995
General insurance	49,084	19,634	68,718	13,089	81,807	39,873
Advocacy	68,216	5,162	73,378	3,442	76,820	260,016
Telephone	14,675	5,870	20,545	3,913	24,458	16,515
Office equipment leases	7,443	2,977	10,420	1,985	12,405	8,922
Office supplies	7,396	2,958	10,354	1,972	12,326	13,174
Bad debt	-	-	-	8,121	8,121	4,099
Employee recruitment	4,664	1,866	6,530	1,244	7,774	78,210
Holiday party and gifts	4,396	1,759	6,155	1,172	7,327	6,687
Credit card merchant fees	3,265	1,306	4,571	871	5,442	2,550
Board meetings	2,493	997	3,490	665	4,155	263
Taxes	1,623	649	2,272	433	2,705	732
Dues and subscriptions	1,605	642	2,247	428	2,675	4,744
Community and homeless outreach	-	2,645	2,645	-	2,645	3,055
Computers	1,419	568	1,987	378	2,365	29,483
Utilities	1,330	532	1,862	355	2,217	1,845
Office maintenance and repairs	971	388	1,359	259	1,618	979
Postage	790	316	1,106	211	1,317	9,249
Board contingency	643	257	900	172	1,072	4,382
Administrative services	19	7	26	5	31	2,071
Depreciation	7,385	2,954	10,339	1,969	12,308	17,128
Total Expenses	\$ 2,055,124	\$ 3,040,950	\$ 5,096,074	\$ 329,948	\$ 5,426,022	\$ 4,945,612
Percentage of Total Expenses:	38%	56%	94%	6%	100%	
2022 Percentage of Total Expense	42%	49%	91%	9%		100%

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

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	12,308	17,128
Change in operating assets and liabilities:		
Accounts receivable	793,239	(863,901)
Other receivables	19	375
Prepaid expenses	(58,097)	(6,452)
Accounts payable and accrued expenses	(8,564)	(208,384)
Deferred revenue	(343,430)	(37,466)
Net Cash Provided By (Used In) Operating Activities	<u>395,475</u>	<u>(1,098,700)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	395,475	(1,098,700)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>717,869</u>	<u>1,816,569</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,113,344</u>	<u>\$ 717,869</u>

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

DOWNTOWN LONG BEACH ALLIANCE

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

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 statement 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.

At September 30, 2023 and 2022, the Organization did not have either net assets without donor restrictions or net assets with donor restrictions.

DOWNTOWN LONG BEACH ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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 in 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 statement 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.

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statement 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, 2023 and at various times during the year, the Organization maintained cash balances with financial institutions in excess of federally insured limits. Historically, the Organization has not experienced any losses in such accounts.

DOWNTOWN LONG BEACH ALLIANCE

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable is 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 is 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, 2023 and 2022 were \$78,239 and \$35,199, 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, 2023. The Organization is provided these funds to benefit citizens of Long Beach by promoting 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, was 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 the City.

DOWNTOWN LONG BEACH ALLIANCE

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Support and Revenue Recognition (Continued)

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, 2023 and 2022, conditional contributions of \$1,676,844 and \$2,020,274, respectively, have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet 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 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.

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.

DOWNTOWN LONG BEACH ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Lease Arrangements

In February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)* (ASU 2016-02), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Organization to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements.

As part of the adoption of the new standard effective September 1, 2022, the Organization adopted certain policies and practical expedients, including a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statement of activities in the period in which the obligation for the payments is incurred. The Organization's leases are considered short-term in nature as of the adoption of the lease standard; the adoption of ASU 2016-02 did not have a material impact on the Organization's financial statements or disclosures.

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, 2022, from which the summarized information was derived.

Subsequent Events

Except for the subsequent events disclosed in Note 6, the Organization's management has evaluated subsequent events from the statement of financial position date through **REPORT DATE**, the date the financial statements were available to be issued for the year ended September 30, 2023.

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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:

	September 30,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,113,344	\$ 717,869
Accounts receivable	763,264	1,556,503
Other receivables	-	19
	<u>1,876,608</u>	<u>2,274,391</u>
Less amounts not available to be used within one year due to:		
Three-month reserve required for PBID contract	<u>(991,250)</u>	<u>(738,613)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 885,358</u>	<u>\$ 1,535,778</u>

The Organization 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:

	September 30,	
	2023	2022
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>(436,108)</u>	<u>(423,800)</u>
	<u>\$ 8,172</u>	<u>\$ 20,480</u>

Depreciation expense for the years ended September 30, 2023 and 2022 was \$12,308 and \$17,128, respectively.

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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:

	For the Year Ended	
	September 30,	
	2023	2022
Downtown Parking and Business Improvement Area assessments (DPBIA)	<u>\$ 727,526</u>	<u>\$ 365,284</u>
Property Based Improvement District assessments (PBID)	\$ 3,420,208	\$ 2,919,169
Deferral adjustment	<u>61,938</u>	<u>600,090</u>
	<u>\$ 3,482,146</u>	<u>\$ 3,519,259</u>

As of September 30, 2023, 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	\$ 991,250
Reserve for DPIA	300,660
Unallocated PBID from 2018-2019	1,007
City Funds – parking meter	235,499
LB recovery act grant	136,500
Administration	<u>11,928</u>
	<u>\$ 1,676,844</u>

NOTE 5 – 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. During the year ended September 30, 2023, the Organization recognized \$136,500 of the \$273,000 income in the accompanying statement of activities, which is included in PBID funds revenue line item.

DOWNTOWN LONG BEACH ALLIANCE

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

NOTE 6 – Commitments and Contingency

Operating Leases

The Organization is party to an office facility lease and equipment leases that are short-term in nature. Office facility rental expense was \$215,365 and 180,023 for the years ended September 30, 2023 and 2022, respectively. Equipment rental expense under cancelable and noncancelable operating leases for the years ended September 30, 2023 and 2022 was \$58,990 and \$66,163, respectively, of which, \$46,585 and \$57,241 are recorded as part of clean and safe services on the statement of functional expenses.

Maintenance Service Contracts

The Organization 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.

Subsequent to year-end, the Organization signed a new agreement effective October 1, 2023 through September 30, 2026 where total compensation to the vendor over the duration of the contract shall not exceed \$2.55 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, 2023.

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.

DOWNTOWN LONG BEACH ALLIANCE

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

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, 2023 and 2022 was \$23,167 and \$22,740, respectively.