



DOWNTOWN LONG BEACH ALLIANCE

Report to the Audit Committee of the Board of Directors

Results of the September 30, 2021 Audit

Presented by Windes, Inc.

December 9, 2021

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, 2021 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) 304-1343 or 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, 2021, 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 5, 2021. 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, 2021, 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. No other new accounting policies were adopted and the application of other existing policies was not changed during fiscal year 2021.
- 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.

Difficulties Encountered in Performing the Audit

- We encountered no significant difficulties in dealing with management in performing and completing our 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:

Adjusting Journal Entry JE # 3			
To reduce accounts payable recorded for expense related to fiscal 2022			
2012	A/P Trade	39,661.00	
5303-01	Economic Development:Bus. Recruitment & Retention:Strategic Recruitment		8,750.00
5603-13	Public Realm:Street & Landscape:Holiday Decor		12,692.00
5607-01	Research, Development & Advocacy:Research/Analytics:Research & Data Analytics		18,219.00
Total		39,661.00	39,661.00

Adjusting Journal Entry JE # 4			
To correct revenue that was incorrectly booked twice.			
4700-02-005	Other Income:Contract Clean Team Services:Prop A	57,920.00	
1115	Accrued LB City Contract		57,920.00
Total		57,920.00	57,920.00

Adjusting Journal Entry JE # 6			
To reverse December Clean Team accrual at year-end.			
2302-08	Accrued Operation Expense:Other Clean Team Services	149,261.00	
2305	Accrued Capital Expense	268.00	
5501	Operations (Clean Team): various expenditures		149,529.00
Total		149,529.00	149,529.00

**Corrected Misstatements
(Continued)**

Adjusting Journal Entry JE # 8

To reverse accrued payroll expenses from February and March at year-end.

2204	Payroll expense payable	2,600.00	
5208	Marketing:Wages (Marketing)		1,599.00
5819	Administration:Wages (Admin)		1,001.00
Total		<u>2,600.00</u>	<u>2,600.00</u>

Adjusting Journal Entry JE # 10

To reverse payroll liabilities at year-end.

2201-2	Payroll Liabilities:Medical Premiums Payable	600.00	
2201-4	Payroll Liabilities:Aflac Payable	643.00	
2201-5	Payroll Liabilities:Life Insurance Premiums Payable	134.00	
5100-08	Personnel Expenses:Employee Benefits		134.00
5100-08	Personnel Expenses:Employee Benefits		600.00
5100-08	Personnel Expenses:Employee Benefits		643.00
Total		<u>1,377.00</u>	<u>1,377.00</u>

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:

Significant Passed Adjustments (Not corrected)

Proposed JE # 1

To reduce estimated Parking revenue to actual amounts to be received per City of Long Beach for August and September.

4002	Revenues:City Funds - Parking Meters	4,099.00	
1107	A/R		<u>4,099.00</u>
Total		<u>4,099.00</u>	<u>4,099.00</u>

Proposed JE # 2

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

1550	Office Equipment - Other	23,338.00	
2450	Capital Lease Payable (Current Year Portion)	4,970.00	
3000	Fund Balance	15,170.00	
5810	Administration:Depreciation	4,668.00	
6900	Interest Expense	347.00	
1551	Accum. Deprn. Office Equip.		19,838.00
2450	Capital Lease Payable (Current Year Portion)		23,338.00
5804	Administration:Office Equip. Lease		<u>5,317.00</u>
Total		<u>48,493.00</u>	<u>48,493.00</u>

Uncorrected Misstatements

Significant Passed Adjustments (Not corrected)

Proposed JE # 5			
To record deferred rent for office lease (impact of straight-line recognition of rent)			
3500	Retained Earnings	31,457.00	
2303W	Deferred Rent		23,345.00
5801	Administration:Rent		8,112.00
Total		<u>31,457.00</u>	<u>31,457.00</u>

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.

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, 2023:

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

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