

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**Financial Statements
December 31, 2008 and 2007**



Long Beach
Community Services
Development Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Long Beach Community Services
Development Corporation, Inc.:

We have audited the accompanying statements of financial position of Long Beach Community Services Development Corporation, Inc. (the Organization) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Beach Community Services Development Corporation, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2009 on our consideration of Long Beach Community Services Development Corporation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedule of assets, liabilities, and net assets by contract, schedule of revenue, expenses, and changes in net assets by contract, and schedules of revenue and expenditures by contract are also presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Windes & McCaughey".

Long Beach, California
May 27, 2009

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 546,682	\$ 730,434
Investments	325,000	320,186
Grants and contracts receivable	110,737	145,250
Other receivables	167,014	145,881
Supplies inventory	4,974	4,974
Prepaid expenses	11,223	27,518
Deposits	<u>17,530</u>	<u>8,530</u>
TOTAL ASSETS	<u>\$ 1,183,160</u>	<u>\$ 1,382,773</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accrued expenses and accounts payable	\$ 124,494	\$ 102,562
Contract advances		90,792
	<u>124,494</u>	<u>193,354</u>
COMMITMENTS AND CONTINGENCIES (Note 3)		
NET ASSETS		
Unrestricted	1,019,512	1,048,702
Temporarily restricted	39,154	140,717
	<u>1,058,666</u>	<u>1,189,419</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,183,160</u>	<u>\$ 1,382,773</u>

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

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

STATEMENTS OF ACTIVITIES

	For the Year Ended December 31,	
	2008	2007
CHANGES IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Grants and contracts	\$ 906,294	\$ 951,291
Program service revenue	844,689	654,099
Interest	17,858	12,150
Other	2,803	14,077
Net assets released from restrictions		
Satisfaction of program requirements	<u>196,563</u>	<u>193,797</u>
Total Support and Revenue	<u>1,968,207</u>	<u>1,825,414</u>
EXPENSES		
Program services		
Community services	1,809,853	1,632,105
Supporting services		
General and administrative	<u>187,544</u>	<u>168,752</u>
Total Expenses	<u>1,997,397</u>	<u>1,800,857</u>
CHANGE IN UNRESTRICTED NET ASSETS	(<u>29,190</u>)	<u>24,557</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Support and revenue		
Donations	95,000	232,945
Net assets released from restrictions		
Satisfaction of program requirements	(<u>196,563</u>)	(<u>193,797</u>)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(<u>101,563</u>)	<u>39,148</u>
CHANGE IN NET ASSETS	(130,753)	63,705
NET ASSETS AT BEGINNING OF YEAR	<u>1,189,419</u>	<u>1,125,714</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,058,666</u>	<u>\$ 1,189,419</u>

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

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Community Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and wages	\$ 1,014,704	\$ 117,532	\$ 1,132,236
Fringe benefits	188,160	33,058	221,218
Consultant and contract services	142,697	13,248	155,945
Travel	14,143	6,036	20,179
Space costs and rentals	101,779	5,525	107,304
Consumable supplies	28,363	1,491	29,854
Rental, lease, or purchase of equipment	38,952	2,131	41,083
Other costs	<u>281,055</u>	<u>8,523</u>	<u>289,578</u>
	<u>\$ 1,809,853</u>	<u>\$ 187,544</u>	<u>\$ 1,997,397</u>

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

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Community Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and wages	\$ 768,935	\$ 100,036	\$ 868,971
Fringe benefits	165,151	29,203	194,354
Consultant and contract services	94,686	8,027	102,713
Travel	19,720	353	20,073
Space costs and rentals	99,842	11,684	111,526
Consumable supplies	36,512	1,455	37,967
Rental, lease, or purchase of equipment	120,842	3,036	123,878
Other costs	<u>326,417</u>	<u>14,958</u>	<u>341,375</u>
	<u>\$ 1,632,105</u>	<u>\$ 168,752</u>	<u>\$ 1,800,857</u>

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

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 130,753)	\$ 63,705
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Increase) decrease in operating assets:		
Grants and contracts receivable	34,513	8,813
Other receivables	(21,133)	(115,822)
Prepaid expenses	16,295	(115)
Deposits	(9,000)	
Increase (decrease) in operating liabilities:		
Accrued expenses and accounts payable	21,932	6,818
Contract advances	(90,792)	90,792
Net Cash Provided By (Used In) Operating Activities	(178,938)	54,191
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,814)	(186)
Net Cash Used In Investing Activities	(4,814)	(186)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(183,752)	54,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	730,434	676,429
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 546,682	\$ 730,434
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR FOR		
Interest	None	None
Income taxes	None	None

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

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation

Long Beach Community Services Development Corporation, Inc. (the Organization), a California nonprofit corporation, was formed in August 1979 to promote, develop and manage a diversified program of assistance for low-income residents of the City of Long Beach.

Financial Statement Presentation

The Organization applies Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Organization shows restricted contributions whose restrictions are met in the same reporting period as unrestricted support. At December 31, 2008 and 2007, the Organization had no permanently restricted net assets.

Contributions

The Organization applies SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Under this statement, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions.

Funding Sources

The Organization's sources of support and related services are as follows:

- Contributions and grants are resources available for corporation activities within requirements of the specific donor or grantor.
- Community Services Block Grant (C.S.B.G.) contracts are available for providing activities which assist low-income participants, supply emergency goods and services, educate the public about available social services, eliminate duplication of social service programs, and encourage private sector participation in social services.

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Funding Sources (Continued)

- S.C.E. Energy Project Funds are resources available to identify and qualify eligible low-income customers for participation in Southern California Edison Company and Conservation Financing Corporation conservation programs.
- After School Education and Safety (A.S.E.S.) funds are resources available to promote academic achievement, and a range of services and programs to support the mental, physical, social and emotional development of participating students.

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 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 statements of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

As of December 31, 2008 and throughout the year, the Organization maintained cash balances in its financial institution in excess of federally insured limits. Given the current economic environment and risks in the banking industry, there is risk that these deposits may not be readily available or may not be covered by insurance.

Investments

The investments at December 31, 2008 and 2007 consist of certificates of deposit. The investments' market values at December 31, 2008 and 2007 approximate cost.

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Grants and Contracts Receivable

Grants and contracts receivable have been established for programs commencing prior to the receipt of funds, with revenue recognized only to the extent of any expenditures. For programs which provide funds based on the performance of specified activities, grants and contract receivable have been provided with revenue recognized only to the extent that program activities were completed.

Furniture and Equipment

It is the policy of the Organization to expense purchases of office furniture and equipment acquired with grant funds. This treatment is consistent with other organizations of this nature and is required by the Department of Community Services and Development.

Furniture and equipment purchased with corporate funds has been capitalized. Furniture and equipment is stated at cost, less accumulated depreciation. Furniture and equipment was fully depreciated as of December 31, 2008 and 2007.

Depreciation of furniture and equipment is provided on the straight-line method over an estimated useful life of five years.

Tax Status

The Organization 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.

New Accounting Pronouncements

Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), addresses the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 requires companies to recognize the effect of income tax positions only if those positions are more likely than not of being sustained.

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

On December 30, 2008, FASB Staff Position FIN 48-3 *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises* deferred the effective date of FIN 48 for certain nonpublic enterprises, including nonprofit entities, for annual financial statements for periods beginning on or after December 15, 2008. The deferral is to provide the FASB time to develop guidance on the application of FIN 48 by nonprofit entities, such as the Organization. As a result, the Organization has deferred the adoption of FIN 48. Management cannot determine at this time the impact, if any, FIN 48 may have on the Organization's operation.

NOTE 2 – Contract Advances

Based on the After School Education and Safety Agreement, the Organization received 20% of the total contract amount for startup expense as of December 31, 2007.

NOTE 3 – Commitments and Contingencies

Commitments

The Organization has entered into various leases for office space and equipment. The lease terms range from three to four years and expire in various years through 2011.

Future minimum facilities and equipment commitments are payable as follows:

<u>Year Ending December 31,</u>	
2009	\$ 120,345
2010	113,635
2011	<u>110,400</u>
	<u>\$ 344,380</u>

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 3 – Commitments and Contingencies (Continued)

Commitments (Continued)

The annual rental expense, including leases of less than one year, was \$107,000 and \$112,000 for 2008 and 2007, respectively.

Contingencies

The Organization is dependent on continued funding provided by the Department of Community Services and Development of the State of California to operate and provide assistance for low-income residents of the City of Long Beach. During the years ended December 31, 2008 and 2007, approximately 49% and 51%, respectively, of the Organization's total support and revenue was provided by the Department of Community Services and Development of the State of California.

The Organization receives a significant portion of its support and revenue from government grants, which are subject to government audit. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to and audited by the government. Until any such audit has been completed and a final settlement reached, there exists a contingent liability to refund any amount received in excess of allowable costs. Based on prior history, management believes that no material liability will result from such audits.

NOTE 4 – Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 5 – Restrictions on Net Assets

Temporarily restricted net assets are as follows:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Long Beach Individual Development Account	\$ 31,048	\$ 26,652
Role of Men		73,672
Re-Thinking program	3,104	22,284
LAMP program	3,268	7,977
Volunteer Income Tax Assistance	970	970
After School Program	<u>764</u>	<u>9,162</u>
	<u>\$ 39,154</u>	<u>\$ 140,717</u>

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

C.S.B.G. CONTRACTS

**SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS BY CONTRACT
DECEMBER 31, 2008**

	<u>Contract No. 08F-4920</u>
ASSETS	
CURRENT ASSETS	
Contracts receivable	\$ <u>110,737</u>
TOTAL ASSETS	<u>\$ 110,737</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Overdraft liability	\$ 102,413
Accrued expenses	<u>8,324</u>
	<u>110,737</u>
NET ASSETS	
Unrestricted	<u>None</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 110,737</u>

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

C.S.B.G. CONTRACTS

**SCHEDULE OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS BY CONTRACT
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Contract No. 08F-4920</u>	<u>Total</u>
UNRESTRICTED NET ASSETS		
REVENUE		
Grant	\$ 906,294	\$ 906,294
EXPENSES		
Program		
Salaries and wages	412,492	412,492
Fringe benefits	94,982	94,982
Consultant and contract services	30,940	30,940
Travel	4,364	4,364
Space costs and rentals	92,707	92,707
Consumable supplies	11,487	11,487
Rental, lease, or purchase of equipment	22,506	22,506
Other costs	78,515	78,515
Total Program Costs	<u>747,993</u>	<u>747,993</u>
Administration		
Salaries and wages	106,107	106,107
Fringe benefits	31,471	31,471
Consultant and contract services	369	369
Travel	6,036	6,036
Space costs and rental	5,525	5,525
Consumable supplies	1,358	1,358
Rental, lease, or purchase of equipment	2,131	2,131
Other costs	5,304	5,304
Total Administration Costs	<u>158,301</u>	<u>158,301</u>
Total Expenses	<u>906,294</u>	<u>906,294</u>
CHANGE IN NET ASSETS	None	None
NET ASSETS AT BEGINNING OF YEAR	<u>None</u>	<u>None</u>
NET ASSETS AT END OF YEAR	<u>None</u>	<u>None</u>

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

C.S.B.G. CONTRACT NO. 08F-4920

**SCHEDULE OF REVENUE AND EXPENDITURES BY CONTRACT
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Total Audited Costs</u>	<u>Total Reported Costs</u>	<u>Total Budget</u>
REVENUE			
Grant	\$ 906,294	\$ 906,294	\$ 906,294
EXPENDITURES			
Program			
Salaries and wages	412,492	412,492	412,492
Fringe benefits	94,982	94,982	94,982
Consultant and contract services	30,940	30,940	30,940
Travel	4,364	4,364	4,364
Space costs and rentals	92,707	92,707	92,707
Consumable supplies	11,487	11,487	11,487
Rental, lease, or purchase of equipment	22,506	22,506	22,506
Other costs	78,515	78,515	78,515
Total Program Costs	<u>747,993</u>	<u>747,993</u>	<u>747,993</u>
Administration			
Salaries and wages	106,107	106,107	106,107
Fringe benefits	31,471	31,471	31,471
Consultant and contract services	369	369	369
Travel	6,036	6,036	6,036
Space costs and rentals	5,525	5,525	5,525
Consumable supplies	1,358	1,358	1,358
Rental, lease, or purchase of equipment	2,131	2,131	2,131
Other costs	5,304	5,304	5,304
Total Administration Costs	<u>158,301</u>	<u>158,301</u>	<u>158,301</u>
Total Costs	<u>906,294</u>	<u>906,294</u>	<u>906,294</u>
COSTS OVER REVENUE	<u>None</u>	<u>None</u>	<u>None</u>

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>
U.S. Department of Health and Human Services		
Passed through State Department of Community Services and Development Community Services Block Grants	93.569	08F-4920
TOTAL FEDERAL AWARDS		

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activities of Long Beach Community Services Development Corporation, Inc. and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

<u>Program or Award Amount</u>	<u>Accrued Revenue at January 1, 2008</u>	<u>Receipts or Revenue Recognized</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued Revenue at December 31, 2008</u>
\$ 906,294	\$ <u>125,270</u>	(\$ <u>920,827</u>)	\$ <u>906,294</u>	\$ <u>110,737</u>
	\$ <u>125,270</u>	(\$ <u>920,827</u>)	\$ <u>906,294</u>	\$ <u>110,737</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Long Beach Community Services
Development Corporation, Inc.

We have audited the financial statements of Long Beach Community Services Development Corporation, Inc. (the Organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated May 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Long Beach Community Services Development Corporation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Long Beach Community Services Development Corporation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Long Beach Community Services Development Corporation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Long Beach Community Services Development Corporation, Inc. in a separate letter dated May 27, 2009.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Windes & McCaughey".

Long Beach, California
May 27, 2009



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
Long Beach Community Services
Development Corporation, Inc.

Compliance

We have audited the compliance of Long Beach Community Services Development Corporation, Inc. (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Long Beach Community Services Development Corporation, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Long Beach Community Services Development Corporation, Inc.'s management. Our responsibility is to express an opinion on Long Beach Community Services Development Corporation, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Long Beach Community Services Development Corporation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Long Beach Community Services Development Corporation, Inc.'s compliance with those requirements.

In our opinion, Long Beach Community Services Development Corporation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance


The management of Long Beach Community Services Development Corporation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Long Beach Community Services Development Corporation, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Long Beach Community Services Development Corporation, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.



Long Beach, California
May 27, 2009

**LONG BEACH COMMUNITY SERVICES
DEVELOPMENT CORPORATION, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued – Unqualified

Internal control over financial reporting

1. Material weakness(es) identified? – No
2. Significant deficiencies identified that are not considered to be material weaknesses? – None reported
3. Noncompliance material to financial statements noted? – No

Federal awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified that are not considered to be material weakness(es)? – None reported
3. Type of auditors’ report issued on compliance for major programs? – Unqualified
4. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? – No
5. Identification of major programs: Community Services Block Grants, CFDA No. 93.569
6. Dollar threshold used to distinguish between type A and type B programs was \$300,000.
7. Auditee qualified as low-risk auditee? – No

SECTION II – FINANCIAL STATEMENTS FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None