

**Catalina Island Chamber of Commerce  
and Visitors Bureau, Inc.**

**Audited Financial Statements**

For Years Ended June 30, 2013  
and June 30, 2012

Prepared by:

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**Catalina Island Chamber of Commerce  
and Visitors Bureau, Inc.  
June 30, 2013**

<u>Table of Contents</u>	<u>Page No.</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Independent Auditor's Report on Supplementary Information	11
Supplementary Information	
Statement of Functional Expenses	12

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Catalina Island Chamber of Commerce and Visitors Bureau

We have audited the accompanying financial statements of Catalina Island Chamber of Commerce and Visitors Bureau (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and the related statement of activities, and cash flow for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catalina Island Chamber of Commerce and Visitors Bureau as of June 30, 2013, and the changes in its net assets and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Catalina Island Chamber of Commerce and Visitors Bureau's 2012 financial statements, and our report dated May 8, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McGinty Knudtson & Black*

McGinty, Knudtson & Black, LLP  
Huntington Beach, California

May 12, 2014

**Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

**Statement of Financial Position**

June 30, 2013

(with comparative figures for 2012)

**Assets**

	<u>6/30/2013</u>	<u>6/30/2012</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 257,300	\$ 128,400
Investments	103,400	103,000
Accounts receivable	128,400	209,300
Prepaid expenses	36,800	31,800
Employee advances	<u>800</u>	<u>800</u>
 Total current assets	 526,700	 473,300
<b>Fixed Assets</b>		
Equipment & leasehold improvements (at cost)	123,100	120,800
Less: Accumulated depreciation	<u>(112,800)</u>	<u>(110,100)</u>
 Total fixed assets	 <u>10,300</u>	 <u>10,700</u>
 <b>Total Assets</b>	 <u><u>\$ 537,000</u></u>	 <u><u>\$ 484,000</u></u>

**Liabilities & Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 136,000	\$ 92,200
Accrued wages	21,300	24,100
Deposits - phone system	4,900	4,900
Deferred income	<u>3,200</u>	<u>1,400</u>
 Total current liabilities	 165,400	 122,600
 <b>Net Assets</b>		
Net assets - unrestricted	<u>371,600</u>	<u>361,400</u>
 <b>Total Liabilities &amp; Net Assets</b>	 <u><u>\$ 537,000</u></u>	 <u><u>\$ 484,000</u></u>

**Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

**Statement of Activities**

For the Year Ended June 30, 2013

(with comparative figures for 2012)

	<u>6/30/2013</u>	<u>6/30/2012</u>
<b>Support &amp; Revenue</b>		
Local government grants	\$ 896,800	\$ 858,200
Membership dues	93,100	93,500
Phone system	30,100	33,700
Information booklets	203,900	202,200
New Years dance (net of costs)	5,900	12,000
Investment income	600	1,700
Other income	<u>64,000</u>	<u>34,700</u>
 Total support & revenue	 \$ 1,294,400	 \$ 1,236,000
 <b>Expenses</b>		
Program services:		
Marketing	597,200	555,300
Public relations	50,900	20,000
Phone system	162,000	140,500
Information booklets	<u>235,100</u>	<u>210,200</u>
Total program services	1,045,200	926,000
General & administrative	<u>239,000</u>	<u>231,900</u>
 Total expenses	 <u>\$ 1,284,200</u>	 <u>\$ 1,157,900</u>
 <b>Change in Net Assets</b>	 \$ 10,200	 \$ 78,100
 <b>Net Assets at Beginning of Year</b>	 <u>\$ 361,400</u>	 <u>\$ 283,300</u>
 <b>Net Assets at End of Year</b>	 <u><u>\$ 371,600</u></u>	 <u><u>\$ 361,400</u></u>

**Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

**Statement of Cash Flows**

For the Year Ended June 30, 2013  
(with comparative figures for 2012)

	<u>6/30/2013</u>	<u>6/30/2012</u>
<b>Cash Flows from Operating Activities</b>		
Reconciliation of net income to net cash provided by operating activities:		
Net income (loss)	\$ 10,200	\$ 78,100
Depreciation expense	2,700	19,000
Changes in assets and liabilities		
Accounts receivable	80,900	(13,900)
Prepaid expenses	(5,000)	(7,600)
Employee advances	-	-
Accounts payable	43,800	(47,000)
Accrued wages	(2,800)	(5,400)
Deposits phone system	-	-
Deferred income	<u>1,800</u>	<u>(500)</u>
Net cash provided by operations	131,600	22,700
<b>Cash Flows from Investing Activities</b>		
Investment purchases	(400)	(1,200)
Equipment additions	(2,300)	(3,000)
<b>Cash Flows from Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Net Cash Increase (Decrease)</b>	128,900	18,500
<b>Cash at Beginning of Year</b>	<u>\$ 128,400</u>	<u>\$ 109,900</u>
<b>Cash at End of Year</b>	<u><u>\$ 257,300</u></u>	<u><u>\$ 128,400</u></u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for:		
Interest (net of amount capitalized)	\$ 12,708	\$ 8,656

# **Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

## **Notes to Financial Statements**

June 30, 2013

(with comparative figures for 2012)

### **Note A – Summary of Significant Accounting Policies**

#### **Nature of Operations**

The Catalina Island Chamber of Commerce and Visitors Bureau, Inc. (the Organization) was organized for the purpose of contributing to the economic development of Avalon and all of Catalina Island by selling, marketing and promoting Avalon and Catalina Island as a year-round destination, and to advocate the interests of business members on Catalina Island.

The five core functions of the Organization are to promote the community, build a strong local economy, represent the interests of business at various levels of government, provide networking opportunities, and engage in political action in the interests of business.

#### **Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Financial Statement Presentation**

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-45 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*). Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Organization did not have temporarily restricted or permanently restricted net assets at June 30, 2013 or 2012.

#### **Tax Exempt Status**

The Organization is a California corporation granted exemption from federal income taxes under Section 501(C)(6) of the Internal Revenue Code, and from California franchise taxes under the General Nonprofit Corporation Law of the State of California. As such, the Organization is not taxed on income derived from its exempt functions. However, it is subject to federal and California income taxes on unrelated trade or business income taxes, which is generated from the Organization's activities not related to their stated exempt purposes. The Organization follows FASB ASC 740-10-55 (FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*) and has determined there is no impact on the financial statements for the years ended June 30, 2013 and 2012. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2013, 2012 and 2011 tax years, and 2013, 2012, 2011, and 2010 for California's Franchise Tax Board. In 2013, the Organization was contacted by the Internal Revenue Service to examine the tax returns for the year ending June 30, 2011.



# **Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

## **Notes to Financial Statements**

June 30, 2013

(with comparative figures for 2012)

### **Note A – Summary of Significant Accounting Policies (continued)**

#### **Cash and Cash Equivalents**

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### **Fair Value of Financial Instruments**

The Organization's financial instruments consist primarily of cash, investments, accounts receivable, prepaid expenses, accounts payable, and accrued wages.

The carrying amount of cash, investments, accounts receivable, prepaid expenses, accounts payable, and accrued wages approximate fair value due to the short-term nature of such instruments.

#### **Investments**

The Organization follows the Not-for-Profit Entities subtopic of the FASB Accounting Standards Codification with respect to investments. Under this subtopic, investments in marketable securities with readily determinable fair values and all debt securities are reported at their fair values in the statement of financial position. Investment income, unrealized gains and losses are included in investment income in the statement of activities.

#### **Property and Equipment**

The Organization follows the practice of capitalizing major expenditures for land, building, and equipment. These assets are recorded at cost. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Website development	3 years
Computer equipment	5 years
Office furniture and equipment	5-10 years
Building improvements	5-10 years

When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is shown on the financial statements as other gains or losses.

#### **Donated Services and Facilities**

Unpaid volunteers have made contributions of their time in conjunction with the Organization's programs and services. The value of these contributions is not included in these financial statements, since they are not susceptible to objective measurement.

The Organization's Visitor Center occupies space at the Avalon Green Pier rent-free on a month-to-month agreement with the City of Avalon. The landlord has estimated the approximate fair value of the annual rent to be \$12,000. The revenue and expense is reported in local government grant revenue in the statement of activities and rent expense in the statement of functional expense, respectively.



**Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

**Notes to Financial Statements**

June 30, 2013

(with comparative figures for 2012)

**Note A – Summary of Significant Accounting Policies (continued)**

**Compensated Absences**

The Organization records compensated absences for accrued vacation for all full-time employees. The expense is recorded when earned.

**Functional Allocation of Expense**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note B – Investments and Fair Value Measurement**

The Organization measures fair value in accordance with FASB ASC 820, Fair Value Measurements and Disclosures, which applies to all financial instruments that are being measured and reported at fair value.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 measurements consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 measurements consist of observable inputs other than quoted prices for identical assets, and Level 3 measurements are unobservable and significant to the fair value measurement. Level 1 measurements are given the highest priority and Level 3 inputs are the lowest priority.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

**Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

**Notes to Financial Statements**

June 30, 2013

(with comparative figures for 2012)

**Note B – Investments and Fair Value Measurement (continued)**

The Organization's investments are reported at fair value in the accompanying statement of financial position as of June 30, 2013 and 2012, respectively:

Fair Value Measurements at June 30, 2013

	Fair Value	Quoted Market Prices (Level 1)
Investments, at fair value:		
Money market fund	\$ 40,115	\$ 40,115
Fixed income - mutual funds	63,330	63,330
	<u>\$ 103,445</u>	<u>\$ 103,445</u>

Fair Value Measurements at June 30, 2012

	Fair Value	Quoted Market Prices (Level 1)
Investments, at fair value:		
Money market fund	\$ 39,875	\$ 39,875
Fixed income - mutual funds	63,170	63,170
	<u>\$ 103,045</u>	<u>\$ 103,045</u>

All investments are classified as Level 1 as they are traded in an active market for which daily closing prices are available.

**Note C – Property and Equipment**

Property and equipment consist of the following as of June 30, 2013 and 2012:

	2013	2012
Telephone system	\$ 9,085	\$ 9,085
Furniture and equipment	13,139	13,139
Leasehold improvements	3,258	3,258
Computer hardware	51,237	48,892
Website development	46,385	46,385
	<u>\$ 123,104</u>	<u>\$ 120,759</u>
Less: accumulated depreciation	<u>(112,842)</u>	<u>(110,131)</u>
	<u>\$ 10,262</u>	<u>\$ 10,628</u>

Depreciation expense for the year ended June 30, 2013 was \$2,711 and June 30, 2012 was \$18,979.

**Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

**Notes to Financial Statements**

June 30, 2013

(with comparative figures for 2012)

**Note D – Grants**

Effective March 15, 1994, the Organization entered into an agreement with the City of Avalon to receive an amount equal to 22% of the Transient Occupancy Tax (TOT) collected by the city. Per the agreement, the funds are to be used to carry out promotional activities, on behalf of the city, as the council may require.

For the years ended June 30, 2013 and 2012, TOT grant revenue represents 69% and 65%, respectively of operating revenues and 69% and 91%, respectively of accounts receivable.

**Note E – Lease Commitments**

The Organization leases management and marketing offices on a month-to-month basis. For the year ending June 30, 2013, monthly rent was \$1,917. In August of 2013, the rent was increased to \$2,042 per month.

The Organization leases a postage meter under an operating lease agreement expiring in December 2014. The lease requires fixed monthly payments of \$208 plus sales tax at the applicable state, county, and city sales tax rate.

The Organization leases a copier under an operating lease agreement expiring in June 2014. The lease requires fixed monthly payments of \$524 plus sales tax at the applicable state, county, and city sales tax rate.

The minimum future lease payments are as follows:

Year Ending June 30,	Office	Equipment	Total
2014	24,500	8,784	33,284
2015	24,500	1,248	25,748
2016	24,500	-	24,500
	<u>73,500</u>	<u>10,032</u>	<u>83,532</u>

**Note F –Risk and Uncertainties**

The Organization may be subject to credit risk to its cash and cash equivalent investments, which are placed with high credit-quality financial institutions. From time to time, the Organization may have amounts on deposit in excess of the FDIC limits. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2013, account balances exceeded FDIC insurance limits by \$19,487. At June 30 2012, account balances were not in excess of FDIC limits.

The Organization's operations are solely on Catalina Island, California and are subject to fluctuations in the local economy.

**Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

**Notes to Financial Statements**

June 30, 2013

(with comparative figures for 2012)

**Note G – Employee Pension Plan**

The Organization has a SIMPLE employee retirement plan covering qualified employees. Under the program, the Organization contributes 3% of employee compensation. Total employer contributions to the plan were \$8,620 and \$8,377 for the years ended June 30, 2013 and 2012.

**Note H – Subsequent Event**

The Organization has evaluated all subsequent events from June 30, 2013 through the date of this report, May 12, 2014. In June of 2013, the Organization was contacted by the Internal Revenue Service to examine tax returns for the year ending June 30, 2011. As of the date of these financials, the examination is still underway, but the Organization does not anticipate any significant adjustments being made to the returns or the financial statements. The Organization noted no other events that would have a significant impact on the financial statements.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Catalina Island Chamber of Commerce and Visitors Bureau

We have audited the financial statements of Catalina Island Chamber of Commerce and Visitors Bureau as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated May 12, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole.

*McGinty Knudtson & Black*

McGinty, Knudtson & Black, LLP  
Huntington Beach, California  
May 12, 2014

**Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

**Statement of Functional Expenses**

For the Year Ended June 30, 2013

(with comparative figures for 2012)

	<u>Program Services</u>			
	<u>Marketing</u>	<u>Public Relations</u>	<u>Visitor Services</u>	<u>Information Booklets</u>
Salaries	\$ 147,148	\$ -	\$ 96,046	\$ -
Payroll tax	13,094	-	8,779	-
Employee benefits	17,575	-	22,002	-
Bad debts	-	-	-	-
Board expense	-	-	-	-
Building maintenance	-	-	-	-
Depreciation	-	-	-	-
Distribution	-	-	-	53,859
Dues & subscriptions	-	-	-	-
Equipment maintenance	-	-	-	-
Equipment rental	-	-	5,621	-
Fax expenses	874	-	-	-
Fulfillment	-	-	-	6,496
Insurance	1,765	-	1,546	-
Interest & bank charges	-	-	-	-
Membership development	-	-	-	-
Miscellaneous	198	-	-	-
Mixer	-	-	-	-
Office supplies	6,800	-	1,507	-
Postage & freight	-	-	3,472	49,275
Production	-	-	-	120,282
Professional development	-	-	-	-
Professional services	46,310	-	-	-
Promotion	316,060	50,935	-	-
Rent	11,078	-	12,000	-
Research	532	-	-	-
Special event	6,929	-	-	-
Storage	-	-	-	5,095
Tax - property	-	-	-	-
Telephone	4,272	-	10,677	-
Trade shows	22,380	-	-	45
Travel & seminars	2,177	7	-	-
Uniforms	-	-	375	-
Utilities	-	-	-	-
Total Expenses	<u>\$ 597,192</u>	<u>\$ 50,942</u>	<u>\$ 162,025</u>	<u>\$ 235,052</u>

**Catalina Island Chamber of Commerce and Visitors Bureau, Inc.**

**Statement of Functional Expenses**

For the Year Ended June 30, 2013

(with comparative figures for 2012)

	Total Program <u>Expenses</u>	Management & General <u></u>	6/30/2013 Total <u>Expenses</u>	6/30/2012 Total <u>Expenses</u>
Salaries	\$ 243,194	\$ 104,559	\$ 347,753	\$ 311,974
Payroll tax	21,873	9,275	31,148	27,911
Employee benefits	39,577	36,401	75,978	66,532
Bad debts	-	-	-	8,627
Board expense	-	397	397	681
Building maintenance	-	5,359	5,359	3,768
Depreciation	-	2,711	2,711	18,979
Distribution	53,859	-	53,859	12,005
Dues & subscriptions	-	4,950	4,950	4,585
Equipment maintenance	-	2,479	2,479	1,863
Equipment rental	5,621	-	5,621	7,018
Fax expenses	874	245	1,119	3,571
Fulfillment	6,496	-	6,496	9,908
Insurance	3,311	4,084	7,395	6,492
Interest & bank charges	-	12,708	12,708	8,656
Membership development	-	216	216	-
Miscellaneous	198	8,417	8,615	3,119
Mixer	-	4,459	4,459	2,973
Office supplies	8,307	4,902	13,209	7,429
Postage & freight	52,747	519	53,266	57,339
Production	120,282	-	120,282	131,264
Professional development	-	8,551	8,551	4,655
Professional services	46,310	3,455	49,765	41,721
Promotion	366,995	-	366,995	329,004
Rent	23,078	11,078	34,156	29,790
Research	532	-	532	496
Special event	6,929	-	6,929	15,760
Storage	5,095	-	5,095	4,900
Tax - property	-	2,066	2,066	2,210
Telephone	14,949	1,506	16,455	7,252
Trade shows	22,425	-	22,425	18,855
Travel & seminars	2,184	6,556	8,740	5,495
Uniforms	375	-	375	-
Utilities	-	4,120	4,120	3,002
Total Expenses	<u>\$ 1,045,211</u>	<u>\$ 239,013</u>	<u>\$ 1,284,224</u>	<u>\$ 1,040,057</u>