

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

Financial Statements

June 30, 2021 and 2020

(With Independent Auditor's Report Thereon)

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

June 30, 2021

<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
Statement of Functional Expenses	5
Notes to Financial Statements	6

McGinty, Knudtson & Associates, LLP

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
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, 2021, and the related statements of activities, functional expense and cash flows 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 States 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 from 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 presentation of the financial statements.

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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Catalina Island Chamber of Commerce and Visitors Bureau's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGinty Knudtson + Associates, LLP

McGinty, Knudtson & Associates, LLP
Huntington Beach, CA

October 5, 2021

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Statement of Financial Position
June 30, 2021 and 2020

Assets

	<u>6/30/2021</u>	<u>6/30/2020</u>
Current Assets		
Cash and cash equivalents	\$ 165,900	\$ 118,700
Investments	84,500	84,400
Accounts receivable	512,700	33,300
Prepaid expenses	14,300	28,200
	<hr/>	<hr/>
Total current assets	777,400	264,600
Fixed Assets		
Property and equipment	169,400	169,400
Less: accumulated depreciation	(77,400)	(73,900)
	<hr/>	<hr/>
Total fixed assets	92,000	95,500
	<hr/>	<hr/>
Total Assets	<u>\$ 869,400</u>	<u>\$ 360,100</u>

Liabilities & Net Assets

Current Liabilities		
Accounts payable	\$ 124,500	\$ 149,800
Accrued wages	62,300	43,700
SBA Paycheck Protection Program Loan	99,300	-
Deferred income	28,200	10,900
	<hr/>	<hr/>
Total current liabilities	314,300	204,400
Long Term Liabilities		
SBA Economic Injury Disaster Loan	150,000	150,000
	<hr/>	<hr/>
Total long term liabilities	150,000	150,000
	<hr/>	<hr/>
Net Assets		
Unrestricted net assets	405,100	5,700
	<hr/>	<hr/>
Total Liabilities & Net Assets	<u>\$ 869,400</u>	<u>\$ 360,100</u>

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

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Statement of Activities
For the Years Ended June 30, 2021 and 2020

	<u>6/30/2021</u>	<u>6/30/2020</u>
Support and Revenue		
Public source revenue - Transient Occupancy Tax	\$ 1,323,100	\$ 985,100
Public source revenue - Rent Waiver	22,500	22,500
Membership dues	68,900	92,500
Advertising and marketing income	28,200	197,600
Programs and special events	60,100	174,600
Other income	<u>6,700</u>	<u>38,700</u>
Total Support and Revenue	1,509,500	1,511,000
Expenses		
Program Services		
Marketing & public relations	697,100	973,100
Visitors services	121,200	176,300
Programs to promote & enhance	35,400	168,600
Other activities	<u>-</u>	<u>36,800</u>
Total Program Services	853,700	1,354,800
Supporting Services		
General & administrative	<u>256,400</u>	<u>304,900</u>
Total Supporting Services	<u>256,400</u>	<u>304,900</u>
Total Expenses	1,110,100	1,659,700
Change in Net Assets	399,400	(148,700)
Net Assets at Beginning of Year	<u>5,700</u>	<u>154,400</u>
Net Assets at End of Year	<u><u>\$ 405,100</u></u>	<u><u>\$ 5,700</u></u>

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

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.

Statement of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>6/30/2021</u>	<u>6/30/2020</u>
Cash Flows from Operating Activities		
Reconciliation of net income to net cash provided by operating activities:		
Net income (loss)	\$ 399,400	\$ (148,700)
Depreciation expense	3,500	3,900
Changes in assets and liabilities		
Accounts receivable	(479,400)	(24,600)
Prepaid expenses	13,900	32,800
Accounts payable	(25,300)	(36,000)
Accrued wages	18,600	(3,800)
Deferred income	<u>17,300</u>	<u>(29,700)</u>
Net cash provided by operations	(52,000)	(206,100)
Cash Flows from Investing Activities		
Purchase of investments	<u>(100)</u>	<u>(1,000)</u>
Net cash provided by investing	(100)	(1,000)
Cash Flows from Financing Activities		
SBA PPP proceeds	99,300	-
SBA EIDL proceeds	<u>-</u>	<u>150,000</u>
Net cash provided by financing	99,300	150,000
Net Cash Increase (Decrease)	47,200	(57,100)
Cash at Beginning of Year	<u>\$ 118,700</u>	<u>\$ 175,800</u>
Cash at End of Year	<u><u>\$ 165,900</u></u>	<u><u>\$ 118,700</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest (net of amount capitalized)	\$ 800	\$ 400

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

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.

Statement of Functional Expenses

For the Years Ended June 30, 2021 and 2020

	<u>Marketing & Public Relations</u>	<u>Visitors Services</u>	<u>Programs to Promote & Enhance</u>	<u>Other Activities</u>	<u>Total Program Services</u>	<u>General & Administrative</u>	<u>6/30/2021 Total Expenses</u>	<u>6/30/2020 Total Expenses</u>
Salaries	\$ 149,600	\$ 41,300	\$ -	\$ -	\$ 190,900	\$ 154,000	\$ 344,900	\$ 423,300
Payroll taxes	12,200	2,800	-	-	15,000	12,400	27,400	35,100
Employee benefits	5,400	900	-	-	6,300	5,600	11,900	54,500
Advertising & marketing	206,400	-	-	-	206,400	100	206,500	352,700
Bank & credit card processing fees	-	-	-	-	-	4,400	4,400	10,600
Depreciation	-	-	-	-	-	3,500	3,500	3,900
Dues & subscriptions	13,900	-	300	-	14,200	5,700	19,900	20,900
Equipment rentals	-	1,800	-	-	1,800	9,100	10,900	16,600
Insurance	17,800	7,600	-	-	25,400	15,800	41,200	5,600
Interest	-	-	-	-	-	-	-	800
Licenses & fess	-	-	400	-	400	300	700	-
Meetings & events	4,000	1,000	-	-	5,000	-	5,000	18,100
Miscellaneous	-	-	-	-	-	-	-	1,200
Office expenses	100	1,300	-	-	1,400	3,400	4,800	5,900
Outside services	-	-	-	-	-	-	-	133,100
Postage & freight	13,200	900	-	-	14,100	1,400	15,500	47,400
Printing & reproduction	7,500	-	200	-	7,700	-	7,700	116,000
Professional fees	158,900	-	1,000	-	159,900	16,300	176,200	15,900
Rent	28,000	25,400	-	-	53,400	17,200	70,600	70,200
Repairs & maintenance	-	400	-	-	400	1,300	1,700	7,500
Special events	1,400	-	33,300	-	34,700	-	34,700	156,200
Telecommunication	4,100	3,200	-	-	7,300	3,800	11,100	8,400
Travel	800	-	200	-	1,000	-	1,000	24,000
Utilities	-	900	-	-	900	2,000	2,900	3,800
Website expenses	73,800	33,700	-	-	107,500	100	107,600	128,000
Total expenses	\$ 697,100	\$ 121,200	\$ 35,400	\$ -	\$ 853,700	\$ 256,400	\$ 1,110,100	\$ 1,659,700

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

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note A – Nature of Organization

The Catalina Island Chamber of Commerce and Visitors Bureau, Inc. (CICCVB), a non-profit 501(c)(6) entity incorporated under the laws of the State of California. CICCVB was organized for the purpose of advancing the general welfare and prosperity of the Santa Catalina Island Area so that its citizens and all areas of its business community shall prosper. All necessary means of promotion shall be provided and particular attention and emphasis shall be given to the economic, civic, commercial, cultural, industrial and educational interest of the area. CICCVB is supported primarily by the Transient Occupancy Tax paid by over-night visitors to the island.

The mission of CICCVB is to attract visitors and to advocate for commerce on Catalina Island. The five core functions of CICCVB 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.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of CICCVB have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under ASC 958, CICCVB is required to report information regarding financial position and activities according to two classes of net assets:

- *Net assets without donor restrictions* are net assets not subject to donor-imposed restrictions of laws.
- *Net assets with donor restrictions* are net assets subject to donor-imposed restrictions that can be fulfilled by actions of CICCVB pursuant to those restrictions or that expire by the passage of time. Contributions by donors whose restrictions are met in the same reporting periods are recorded as without restrictions. Net assets whose use is limited by donor-imposed restrictions are recorded as net assets with restrictions and are released from restrictions when donor stipulations have been met.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the June 30, 2020 financial statements to maintain consistency with the June 30, 2021 presentation. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle

In fiscal year 2020, CICCVB adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) and ASU No. 2014-09 *Revenue from Contracts with Customers* (Topic 606). Analysis of various provisions of these updates resulted in no significant changes in the way CICCVB recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. 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 CICCVB's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note B – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, CICCVCB considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

CICCVCB has recorded in its financial statements certain financial instruments, none of which are held for trading purposes. CICCVCB estimates that the fair value of all its financial instruments at June 30, 2021 and 2020, do not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by CICCVCB using available market information and appropriate valuation methodologies.

Investments

Investments are stated at fair value (the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date). Investments are measured in accordance with FASB ASC 820-10, *Fair Value Measurements*, as disclosed in Note D.

Property and Equipment

CICCVCB capitalizes expenditures for furniture, fixtures, and equipment. These assets are recorded at original cost. Donated assets are recorded at the estimated fair market value on the date received. CICCVCB has set the capitalization threshold for reporting property and equipment at \$1,000. 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 CICCVCB's programs and services. The value of these contributions is not included in these financial statements, since they are not susceptible to objective measurement.

CICCVCB'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 \$22,464. The revenue and expense is reported in local government grant revenue in the statement of activities and rent expense in the statement of functional expenses, respectively.

Due to the significant impacts of COVID-19, CICCVCB saw a substantial increase in donated services and facilities due to contractors waiver of fees.

Membership Dues

Membership dues received pertaining to all membership categories are recognized as revenue ratable over the term of the membership period. Amounts not yet earned by the end of the fiscal year are reported as deferred income. CICCVCB has reviewed membership dues as part of the adoption of Topic 606 and has determined CICCVCB provides service to members equally over the membership term and thus requires no change to the accounting of this revenue.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note B – Summary of Significant Accounting Policies (continued)

Compensated Absences

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

Net Assets

CICCVB is required to report information regarding its financial position and activities according to two classes of net assets: unrestricted and donor restricted. CICCVB did not have donor restricted net assets in the years ended June 30, 2021 or 2020. All net assets reported represent unrestricted resources over which the CICCVB Board has discretionary control.

Use of Estimates

Preparation of financial statements in accordance with U.S. generally accepted accounting principles necessitates the use of estimates of certain amounts. CICCVB uses estimates to determine the useful lives of fixed assets. Estimates are also used to ascertain that all accounts receivable are collectible. It is reasonably possible these estimates may change in the near term.

CICCVB carries an estimated net receivable of \$481,683 for TOT revenues to be received from the City for the fiscal year 2020/2021. This estimated “true-up” payment is calculated by the City of Avalon based on estimated TOT revenues for the fiscal year 2020/2021.

Federal and State Income Taxes

CICCVB 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, CICCVB 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 CICCVB’s activities not related to their stated exempt purposes.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Date of Management’s Review

CICCVB has evaluated subsequent events through October 5, 2021, which is the date the financial statements were available to be issued.

Note C – Cash and Cash Equivalents

As of June 30, 2021 and 2020, cash and cash equivalents consisted of the following:

	<u>2021</u>	<u>2020</u>
Checking	\$ 154,137	\$ 106,939
Money market	11,671	11,670
Petty cash	50	50
Total	<u>\$ 165,858</u>	<u>\$ 118,659</u>

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note D – Investments and Fair Value Measurement

CICCVB follows ASC 958-205, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Defined as observable inputs such as quoted prices for identical instruments in active markets;

Level 2: Defined as inputs other than quoted prices in active markets that are directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

Level 3: Defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant value drivers are observable.

As of June 30, 2021 and 2020, investments consist of the following, which are considered Level 1 in the fair value hierarchy:

Fair Value Measurements at June 30, 2021

	Fair Value	Quoted Market Prices (Level 1)
Investments, at fair value:		
Demand deposit account	\$ 14,224	\$ 14,224
Bond funds	26,028	26,028
Exchange traded funds	44,274	44,274
	<u>\$ 84,527</u>	<u>\$ 84,527</u>

Fair Value Measurements at June 30, 2020

	Fair Value	Quoted Market Prices (Level 1)
Investments, at fair value:		
Demand deposit account	\$ 22,454	\$ 22,454
Bond funds	16,226	16,226
Exchange traded funds	45,761	45,761
	<u>\$ 84,442</u>	<u>\$ 84,442</u>

Interest income for the year ended June 30, 2021 was \$1,973 and June 30, 2020 was \$2,342.

Note E – Property and Equipment

Property and equipment consist of the following as of June 30, 2021 and 2020:

	2021	2020
Furniture and equipment	12,416	12,416
Leasehold improvements	103,138	103,138
Computer hardware	7,444	7,444
Computer software	-	-
Website development	46,385	46,385
	<u>\$ 169,383</u>	<u>\$ 169,383</u>
Less: accumulated depreciation	(77,390)	(73,893)
	<u>\$ 91,993</u>	<u>\$ 95,490</u>

Depreciation expense for the year ended June 30, 2021 was \$3,497 and June 30, 2020 was \$3,903.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note F – Grants

Effective March 15, 1994, CICCVCB 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 per City of Avalon Municipal Code.

For the year ended June 30, 2021, TOT revenue totaled \$1,323,074 with receivables of \$481,683. During the fiscal year 2020/2021, the City estimated TOT revenues for the fiscal year and issued 12 installments. Once accounts were reconciled for the year, the City determined CICCVCB was due an additional \$481,683.

For the year ended June 30, 2020, TOT revenue totaled \$985,067 with payables of \$31,978. During the fiscal year 2019/2020, the City estimated TOT revenues for the fiscal year and issued 12 equal installments. Once accounts were reconciled for the year, the City determined CICCVCB was to repay \$31,978 to the City.

For the years ended June 30, 2021 and 2020, TOT grant revenue represents 88% and 65%, respectively of operating revenues and 94% of receivables and 64% of payables, respectively.

Note G – Lease Commitments

CICCVCB's Visitor Center occupies space at the Avalon Green Pier rent-free on a 10-year lease agreement with the City of Avalon commencing on January 1, 2015. The property owner has estimated the approximate fair value of the annual rent to be \$22,464. The revenue and expense is reported in local government grant revenue in the statement of activities and rent expense in the statement of functional expenses, respectively.

CICCVCB leases management and marketing offices under a lease agreement expiring on August 31, 2022. For the year, ending June 30, 2021, monthly rent was \$2,917.

CICCVCB leased a copier and printers under an operating lease agreement that expired in November 2020. The lease required fixed monthly payments of \$635 plus sales tax at the applicable state, county, and city sales tax rates. The lease was not renewed.

The minimum future lease payments are as follows:

Year Ending June 30,	Office	Equipment	Total
2022	\$ 58,714	\$ -	\$ 58,714
2023	28,547	-	28,547
2024	-	-	-
2025	-	-	-
2026	-	-	-
	<u>\$ 87,261</u>	<u>\$ -</u>	<u>\$ 87,261</u>

Note H – SBA PPP Loan

On February 18, 2021, CICCVCB successfully secured a \$99,306 Small Business Association loan under the Payroll Protection Program to secure payroll expenses for otherwise furloughed employees impacted by government imposed shelter in place orders. Per the terms of the loan, the full amount will be forgiven as long as loan proceeds are used to cover payroll costs and other specified non-payroll costs. CICCVCB fully intends to comply with the terms in order to qualify for loan forgiveness. On July 6, 2021, CICCVCB received forgiveness of the full \$99,306 PPP loan.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note I – Long Term Debt

On June 9, 2020, CICCVCB successfully secured a \$150,000 Small Business Association loan under the Economic Injury Disaster Loan program. Proceeds are to be used as working capital to alleviate injury caused by the disaster, in this case the COVID-19 pandemic. The loans is secured by deposit accounts, receivables, and equipment. It is payable in monthly installments including principal and interest of \$641 beginning 12 months from the date of the promissory note. The note bears interest at 2.75% and the balance of principal and interest will be payable 30 years from the date of the promissory note.

As of June 30, 2021, repayment of the EIDL has been delayed due to the ongoing pandemic.

Note J –Risk and Uncertainties

CICCVCB 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, CICCVCB may have amounts on deposit in excess of the FDIC limits. Management believes CICCVCB is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2021 and 2020, account balances did not exceed FDIC insurance limits.

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

Note K – Employee Pension Plan

CICCVCB has a SIMPLE employee retirement plan covering qualified employees. Under the program, CICCVCB contributes 3% of employee compensation. Total employer contributions to the plan were \$8,604 and \$10,252 for the years ended June 30, 2021 and 2020, respectively.

Note L – Liquid Resource Management

CICCVCB regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, CICCVCB considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2021, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$118,659
Investments not encumbered by board	<u>84,442</u>
Financial assets available for expenditures over next 12-months	<u><u>\$203,101</u></u>

In addition to the financial assets available to meet general expenditures over the next 12-months noted above, CICCVCB has prepaid expenses and receivables that will likely be converted to cash or available for general expenditures during the normal course of next year's operations.

Note M – Prior Period Adjustment

The accompanying financial statements of CICCVCB have been restated to correct an error made in the prior year. The error relates to an understatement of other income and accounts receivable by \$28,546 due to federal employee retention credits. The 2020 financials have been adjusted to reflect this change.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note N – COVID Response

In the Catalina Island area where the Company primarily operates, government restrictions on business operations began in March 2020 and have been made more or less restrictive over time as the number of persons in the area impacted by the disease has increased and decreased. Because the CICCVCB's business activities are considered "essential services," operations have not been fully suspended due to the pandemic to date. Management has made several significant adaptations to operations to keep the business fully functional while protecting their remaining workforce of approximately six employees:

- CICCVCB has encouraged those who are able to work primarily from home to do so, including the administrative management team. One Visitors Services team member continues to work in the Catalina Island Visitor Center, when able to be open per current and public health mandate.
- CICCVCB instituted Zoom and Google Meets video conferencing systems in order to ease the transition to a virtual work environment. Management has found that the impact on productivity related to these changes in work environment has been positive but for interruptions to cellular and internet services temporarily inhibiting access to meetings and cloud based services.
- CICCVCB has adapted its facilities to allow for physical distancing between employees working on site and has also updated sanitation policies for office and visitor serving facilities. The administrative offices are not currently open to the general public.
- CICCVCB has updated its personnel policies to plan for and respond to COVID related staff illnesses. Since April 2020 and through the date these financial statements are available to be issued, one employee has missed work time due to either having a confirmed case of COVID or being required to quarantine due to COVID exposure or while awaiting test results. The availability of government funded leave through refundable payroll tax credits has mitigated the cost of these employee leave of absence. Social distancing policies have, so far, been successful in limiting the spread of COVID to CICCVCB employees. Despite new policies and procedures and federal support programs, CICCVCB has experienced significant staffing reductions and therefore avoided unfunded payroll costs that are attributable to the pandemic.

CICCVCB applied for and received a round two Paycheck Protection Program ("PPP") loan under a new federal program designed to support small businesses during the pandemic. The PPP loan program was part of The CARES Act, which was signed into law on March 27, 2020 and is being implemented by the SBA with cooperation from private banks. PPP loans may be fully or partially forgiven by application to the SBA if proceeds are expended based on federal guidelines. Management applied for the PPP loan to fund payroll and other allowable costs while CICCVCB responded to government restrictions on business operations and anticipated reduced revenues from the economic downturn associated with the pandemic. An EIDL loan in the amount of \$150,000 was received and deposited on June 3, 2020. Management anticipates that none of this loan will qualify for loan forgiveness despite the fact that it will be spent in accordance with federal regulations relating to the use of funds following the deposit of loan proceeds.

After a slow re-opening to leisure travel in spring of 2021, management believes that CICCVCB is on track to report increased revenue levels in 2021 by 60% over those reported in 2020. It is management's opinion that increased visitation by regional in-state travelers, along with changes in operations, coupled with past federal government support through EIDL loan programs and payroll tax credits, will be sufficient to protect CICCVCB from the near-term negative impact related to the COVID-19 pandemic.

Note O – Subsequent Events

On July 6, 2021, CICCVCB received full forgiveness of the Paycheck Protection Program loan received on February 18, 2021. The loan principal of \$99,306 and interest of \$373 was paid in full by the Small Business Administration. CICCVCB must retain records relevant to the loan forgiveness application for the 4-year period following submission of the loan forgiveness application.