

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

Financial Statements

June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

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

June 30, 2020

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 26, 2020

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Statement of Financial Position
June 30, 2020 and 2019

Assets

| | <u>6/30/2020</u> | <u>6/30/2019</u> |
|--------------------------------|------------------|------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 118,700 | \$ 175,800 |
| Investments | 84,400 | 83,400 |
| Accounts receivable | 4,800 | 8,700 |
| Prepaid expenses | 28,200 | 61,000 |
| | 236,100 | 328,900 |
| Fixed Assets | | |
| Property and equipment | 169,400 | 170,200 |
| Less: accumulated depreciation | (73,900) | (70,800) |
| | 95,500 | 99,400 |
| Total Assets | \$ 331,600 | \$ 428,300 |

Liabilities & Net Assets

| | | |
|---|------------|------------|
| Current Liabilities | | |
| Accounts payable | \$ 149,800 | \$ 185,800 |
| Accrued wages | 43,700 | 47,500 |
| Deferred income | 10,900 | 40,600 |
| | 204,400 | 273,900 |
| Long Term Liabilities | | |
| SBA Loan | 150,000 | - |
| | 150,000 | - |
| Net Assets | | |
| Unrestricted net assets | (22,800) | 154,400 |
| Total Liabilities & Net Assets | \$ 331,600 | \$ 428,300 |

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, 2020 and 2019

| | <u>6/30/2020</u> | <u>6/30/2019</u> |
|---|--------------------|-------------------|
| Support and Revenue | | |
| Public source revenue - Transient Occupancy Tax | \$ 985,100 | \$ 1,187,900 |
| Public source revenue - Rent Waiver | 22,500 | 22,500 |
| Membership dues | 92,500 | 95,300 |
| Advertising and marketing income | 197,600 | 265,700 |
| Programs and special events | 174,600 | 167,200 |
| Other income | <u>10,200</u> | <u>3,600</u> |
| Total Support and Revenue | 1,482,500 | 1,742,200 |
| Expenses | | |
| Program Services | | |
| Marketing & public relations | 973,100 | 1,209,300 |
| Visitors services | 176,300 | 153,800 |
| Programs to promote & enhance | 168,600 | 208,900 |
| Other activities | <u>36,800</u> | <u>50,000</u> |
| Total Program Services | 1,354,800 | 1,622,000 |
| Supporting Services | | |
| General & administrative | <u>304,900</u> | <u>268,900</u> |
| Total Supporting Services | <u>304,900</u> | <u>268,900</u> |
| Total Expenses | 1,659,700 | 1,890,900 |
| Change in Net Assets | (177,200) | (148,700) |
| Net Assets at Beginning of Year | <u>154,400</u> | <u>303,100</u> |
| Net Assets at End of Year | <u>\$ (22,800)</u> | <u>\$ 154,400</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, 2020 and 2019

| | <u>6/30/2020</u> | <u>6/30/2019</u> |
|--|--------------------------|--------------------------|
| Cash Flows from Operating Activities | | |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Net income (loss) | \$ (177,200) | \$ (148,700) |
| Depreciation expense | 3,900 | 4,300 |
| Changes in assets and liabilities | | |
| Accounts receivable | 3,900 | 29,400 |
| Prepaid expenses | 32,800 | (10,600) |
| Accounts payable | (36,000) | 15,300 |
| Accrued wages | (3,800) | 2,900 |
| Deferred income | <u>(29,700)</u> | <u>27,100</u> |
| Net cash provided by operations | (206,100) | (80,300) |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (1,000) | (10,600) |
| Equipment additions | <u>-</u> | <u>(1,900)</u> |
| Net cash provided by investing | (1,000) | (12,500) |
| Cash Flows from Financing Activities | | |
| SBA Loan proceeds | <u>150,000</u> | <u>-</u> |
| Net Cash Increase (Decrease) | (57,100) | (92,800) |
| Cash at Beginning of Year | <u>\$ 175,800</u> | <u>\$ 268,600</u> |
| Cash at End of Year | <u><u>\$ 118,700</u></u> | <u><u>\$ 175,800</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, 2020 and 2019

| | <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>6/30/2020 Total Expenses</u> | <u>6/30/2019 Total Expenses</u> |
|------------------------------------|---|--------------------------|--|-------------------------|-------------------------------|-------------------------------------|---------------------------------|---------------------------------|
| Salaries | \$ 171,100 | \$ 82,000 | \$ - | \$ - | \$ 253,100 | \$ 170,200 | \$ 423,300 | \$ 437,600 |
| Payroll taxes | 14,300 | 6,800 | - | - | 21,100 | 14,000 | 35,100 | 33,700 |
| Employee benefits | 24,200 | 15,100 | - | - | 39,300 | 15,200 | 54,500 | 59,400 |
| Advertising & marketing | 349,400 | - | 3,100 | - | 352,500 | 200 | 352,700 | 506,000 |
| Bad debts | - | - | - | - | - | - | - | 500 |
| Bank & credit card processing fees | - | - | - | - | - | 10,600 | 10,600 | 10,400 |
| Depreciation | - | - | - | - | - | 3,900 | 3,900 | 4,300 |
| Dues & subscriptions | 17,200 | - | - | - | 17,200 | 3,700 | 20,900 | 22,600 |
| Equipment rentals | - | 5,200 | - | - | 5,200 | 11,400 | 16,600 | 16,100 |
| Insurance | - | - | - | - | - | 5,600 | 5,600 | 6,700 |
| Interest | - | - | - | - | - | 800 | 800 | 400 |
| Meetings & events | 10,000 | - | 6,100 | - | 16,100 | 2,000 | 18,100 | 22,800 |
| Miscellaneous | - | 100 | - | - | 100 | 1,100 | 1,200 | (200) |
| Office expenses | - | 1,400 | 100 | - | 1,500 | 4,400 | 5,900 | 6,600 |
| Outside services | 79,100 | 900 | - | 36,800 | 116,800 | 16,300 | 133,100 | 119,000 |
| Postage & freight | 44,100 | 500 | 800 | - | 45,400 | 2,000 | 47,400 | 81,000 |
| Printing & reproduction | 114,900 | 100 | 1,000 | - | 116,000 | - | 116,000 | 131,000 |
| Professional development | - | - | - | - | - | - | - | 4,200 |
| Professional fees | - | - | - | - | - | 15,900 | 15,900 | 14,000 |
| Rent | 28,100 | 25,100 | 400 | - | 53,600 | 16,600 | 70,200 | 65,800 |
| Repairs & maintenance | 700 | 3,700 | - | - | 4,400 | 3,100 | 7,500 | 8,300 |
| Special events | 100 | - | 156,100 | - | 156,200 | - | 156,200 | 188,600 |
| Telecommunication | 4,700 | 3,100 | - | - | 7,800 | 600 | 8,400 | 7,900 |
| Travel | 17,900 | 500 | 1,000 | - | 19,400 | 4,600 | 24,000 | 24,900 |
| Utilities | - | 1,100 | - | - | 1,100 | 2,700 | 3,800 | 4,800 |
| Website expenses | 97,300 | 30,700 | - | - | 128,000 | - | 128,000 | 114,500 |
| Total expenses | \$ 973,100 | \$ 176,300 | \$ 168,600 | \$ 36,800 | \$ 1,354,800 | \$ 304,900 | \$ 1,659,700 | \$ 1,890,900 |

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, 2020 and 2019

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, 2019 financial statements to maintain consistency with the June 30, 2020 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, 2019, from which the summarized information was derived.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note B – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, CICCVB 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

The carrying amount of cash and cash equivalents, investments, accounts receivable, prepaid expenses, accounts payable, and accrued wages at June 30, 2020 and 2019 approximate fair value due to the short-term nature of these financial instruments.

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

CICCVB 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. CICCVB 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 CICCVB's programs and services. The value of these contributions is not included in these financial statements, since they are not susceptible to objective measurement.

CICCVB'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.

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. CICCVB has reviewed membership dues as part of the adoption of Topic 606 and has determined CICCVB provides service to members equally over the membership term and thus requires no change to the accounting of this revenue.

Compensated Absences

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

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
 June 30, 2020 and 2019

Note B – Summary of Significant Accounting Policies (continued)

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, 2020 or 2019. 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 payable of \$31,978 for TOT revenues to be repaid to the City for the fiscal year 2019/2020. This estimated “true-up” payment is calculated by the City of Avalon based on estimated TOT revenues for the fiscal year 2019/2020.

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 26, 2020, which is the date the financial statements were available to be issued.

Note C – Cash and Cash Equivalents

As of June 30, 2020 and 2019, cash and cash equivalents consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|--------------|-------------------|-------------------|
| Checking | \$ 106,939 | \$ 79,124 |
| Money market | 11,670 | 96,580 |
| Petty cash | 50 | 50 |
| Total | <u>\$ 118,659</u> | <u>\$ 175,753</u> |

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, investments consist of the following, which are considered Level 1 in the fair value hierarchy:

Fair Value Measurements at June 30, 2020

| | <u>Fair Value</u> | <u>Quoted Market Prices (Level 1)</u> |
|-----------------------------|-------------------|---|
| 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> |

Fair Value Measurements at June 30, 2019

| | <u>Fair Value</u> | <u>Quoted Market Prices (Level 1)</u> |
|-----------------------------|-------------------|---|
| Investments, at fair value: | | |
| Demand deposit account | \$ 8,857 | \$ 8,857 |
| Bond funds | 15,167 | 15,167 |
| Exchange traded funds | 59,384 | 59,384 |
| | <u>\$ 83,408</u> | <u>\$ 83,408</u> |

Interest income for the year ended June 30, 2020 was \$2,342 and June 30, 2019 was \$2,377.

Note E – Property and Equipment

Property and equipment consist of the following as of June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------------|-------------------|
| Furniture and equipment | 12,416 | 12,416 |
| Leasehold improvements | 103,138 | 103,138 |
| Computer hardware | 7,444 | 7,444 |
| Computer software | - | 830 |
| Website development | 46,385 | 46,385 |
| | <u>\$ 169,383</u> | <u>\$ 170,213</u> |
| Less: accumulated depreciation | <u>(73,893)</u> | <u>(70,820)</u> |
| | <u>\$ 95,490</u> | <u>\$ 99,393</u> |

Depreciation expense for the year ended June 30, 2020 was \$3,903 and June 30, 2019 was \$4,301.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

Note F – Grants

Effective March 15, 1994, CICCVB 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, 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 CICCVB was to repay \$31,978 to the City.

For the year ended June 30, 2019, TOT revenue totaled \$1,187,876 with receivables of \$8,676. During the fiscal year 2018/2019, the City estimated TOT revenues for the fiscal year and issued 12 equal installments. Once accounts were reconciled for the year, the City determined CICCVB was due an additional \$8,676.

For the years ended June 30, 2020 and 2019, TOT grant revenue represents 66% and 68%, respectively of operating revenues and 64% of payables and 92% of receivables, respectively.

Note G – Lease Commitments

CICCVB'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.

CICCVB leases management and marketing offices under a lease agreement expiring on August 31, 2022. For the year, ending June 30, 2020, monthly rent was \$2,667.

CICCVB leases a copier and printers under an operating lease agreement expiring in November 2020. The lease requires fixed monthly payments of \$635 plus sales tax at the applicable state, county, and city sales tax rates.

The minimum future lease payments are as follows:

| Year Ending June 30, | Office | Equipment | Total |
|----------------------|------------|-----------|------------|
| 2021 | \$ 57,214 | \$ 3,175 | \$ 60,389 |
| 2022 | 58,714 | - | 58,714 |
| 2023 | 28,547 | - | 28,547 |
| 2024 | - | - | - |
| 2025 | - | - | - |
| | \$ 144,475 | \$ 3,175 | \$ 147,650 |

Note H – Long Term Debt

CICCVB's long-term debt as of June 30, 2020 is as follows:

| | |
|--|------------|
| Installment note, secured by deposit accounts, receivables and equipment, to SBA, payable in monthly installments of \$641 with interest at 2.75%, commencing twelve months from date of promissory note and payable thirty years from the date of the promissory note | \$ 150,000 |
| Total long term debt | \$ 150,000 |

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

Note I – Risk and Uncertainties

CICCVB 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, CICCVB may have amounts on deposit in excess of the FDIC limits. Management believes CICCVB is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2020 and 2019, account balances did not exceed FDIC insurance limits.

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

Note J – Employee Pension Plan

CICCVB has a SIMPLE employee retirement plan covering qualified employees. Under the program, CICCVB contributes 3% of employee compensation. Total employer contributions to the plan were \$10,252 and \$11,341 for the years ended June 30, 2020 and 2019, respectively.

Note K – Liquid Resource Management

CICCVB 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, CICCVB 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, 2020, 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, CICCVB 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 L – 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 CICCVB’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 five employees:

- CICCVB 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.
- CICCVB 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.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2020 and 2019

Note L – COVID Response (continued)

- CICCVB 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.
- CICCVB 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 CICCVB employees. Despite new policies and procedures and federal support programs, CICCVB has experienced significant staffing reductions and therefore avoided unfunded payroll costs that are attributable to the pandemic.

CICCVB applied for and was denied a 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 CICCVB 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 first and second quarter of 2020, partly attributable to customer slowdowns as COVID impacted businesses around the world, and partly due to the delay in awards of significant contracts, management believes that CICCVB is on track to report revenue levels in 2020 of only 50% reported in 2019. It is management’s opinion that increased visitation by regional in-state travelers, along with changes in operations, federal government support through the EIDL loan program and payroll tax credits will be sufficient to protect CICCVB from the near-term negative impact related to the COVID pandemic.

Note M – Going Concern

As shown in the accompanying financial statements, the Company incurred a net loss of \$177,183 during the year ended June 30, 2020, and as of that date, CICCVB’s current assets exceeded its current liabilities by \$31,843 and its total liabilities exceeded its total assets by \$22,667. Those factors, as well as the uncertain conditions that CICCVB face due to COVID restrictions create a substantial doubt about CICCVB’s ability to continue as a going concern for the year following the date the financial statements are available to be issued. Management of CICCVB has evaluated these conditions and has proposed a plan to reduce its liabilities through reduced workforce, rent abatement, equipment lease cessation, EIDL loan in the amount of \$150,000 and possible future elimination of administrative office leased facilities (to be negotiated). In addition, CICCVB is investigating the feasibility of TBID formation to raise additional tourism promotion and supportive services programs revenue. The financial statements do not include any adjustments that might be necessary if CICCVB is unable to continue as a going concern.