

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

Financial Statements

June 30, 2022 and 2021

(With Independent Auditor's Report Thereon)

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

June 30, 2022

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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, Inc.

Opinion

We have audited the accompanying financial statements of Catalina Island Chamber of Commerce and Visitors Bureau, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements.

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, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catalina Island Chamber of Commerce and Visitors Bureau, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catalina Island Chamber of Commerce and Visitors Bureau, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Catalina Island Chamber of Commerce and Visitors Bureau, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catalina Island Chamber of Commerce and Visitors Bureau, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Catalina Island Chamber of Commerce and Visitors Bureau, Inc.'s 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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
September 22, 2022

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Statement of Financial Position
June 30, 2022 and 2021

Assets

	<u>6/30/2022</u>	<u>6/30/2021</u>
Current Assets		
Cash and cash equivalents	\$ 315,500	\$ 165,900
Investments	112,900	84,500
Accounts receivable	590,100	512,700
Prepaid expenses	<u>30,500</u>	<u>14,300</u>
Total current assets	1,049,000	777,400
Fixed Assets		
Property and equipment	186,500	169,400
Less: accumulated depreciation	<u>(77,500)</u>	<u>(77,400)</u>
Total fixed assets	<u>109,000</u>	<u>92,000</u>
Total Assets	<u><u>\$ 1,158,000</u></u>	<u><u>\$ 869,400</u></u>

Liabilities & Net Assets

Current Liabilities		
Accounts payable	\$ 187,300	\$ 128,600
Accrued wages	51,600	62,300
SBA Paycheck Protection Program Loan	-	99,300
Deferred income	<u>100</u>	<u>28,200</u>
Total current liabilities	239,000	318,400
Long Term Liabilities		
SBA Economic Injury Disaster Loan	<u>150,000</u>	<u>150,000</u>
Total long term liabilities	<u>150,000</u>	<u>150,000</u>
Net Assets		
Without donor restrictions	687,300	401,000
With donor restrictions	<u>81,700</u>	<u>-</u>
Total net assets	769,000	401,000
Total Liabilities & Net Assets	<u><u>\$ 1,158,000</u></u>	<u><u>\$ 869,400</u></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, 2022 and 2021

	Without Donor Restrictions	6/30/2022 With Donor Restrictions	Total	6/30/2021
Support and Revenue				
Public source revenue - Transient Occupancy Tax	\$ -	\$ 1,912,700	\$ 1,912,700	\$ 1,323,100
Public source revenue - Rent Waiver	22,500		22,500	22,500
Membership dues	81,800		81,800	68,900
Advertising and marketing income	259,100		259,100	28,200
Programs and special events	142,600		142,600	60,100
Other income	121,800		121,800	6,700
Total Support and Revenue	627,800	\$ 1,912,700	2,540,500	1,509,500
Expenses				
Program Services				
Marketing & public relations	-	1,502,400	1,502,400	699,200
Visitors services	-	154,500	154,500	122,400
Programs to promote & enhance	-	174,100	174,100	35,400
Other activities	-	-	-	-
Total Program Services	-	1,831,000	1,831,000	857,000
Supporting Services				
General & administrative	341,500	-	341,500	257,200
Total Supporting Services	341,500	-	341,500	257,200
Total Expenses	341,500	1,831,000	2,172,500	1,114,200
Change in Net Assets	286,300	81,700	368,000	395,300
Net Assets at Beginning of Year	401,000	-	401,000	5,700
Net Assets at End of Year	\$ 687,300	\$ 81,700	\$ 769,000	\$ 401,000

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, 2022 and 2021

	<u>6/30/2022</u>	<u>6/30/2021</u>
Cash Flows from Operating Activities		
Reconciliation of net income to net cash provided by operating activities:		
Net income (loss)	\$ 368,000	\$ 399,400
Depreciation expense	3,600	3,500
PPP loan forgiveness	(99,300)	-
Loss on asset disposal	400	-
Changes in assets and liabilities		
Accounts receivable	(77,400)	(479,400)
Prepaid expenses	(16,200)	13,900
Accounts payable	58,700	(25,300)
Accrued wages	(10,700)	18,600
Deposits phone system	-	-
Deferred income	<u>(28,100)</u>	<u>17,300</u>
Net cash provided by operations	199,000	(52,000)
Cash Flows from Investing Activities		
Purchase of investments	(28,400)	(100)
Equipment additions	<u>(21,000)</u>	<u>-</u>
Net cash provided by investing	(49,400)	(100)
Cash Flows from Financing Activities		
SBA PPP proceeds	<u>-</u>	<u>99,300</u>
Net cash provided by financing	-	99,300
Net Cash Increase (Decrease)	149,600	47,200
Cash at Beginning of Year	<u>\$ 165,900</u>	<u>\$ 118,700</u>
Cash at End of Year	<u><u>\$ 315,500</u></u>	<u><u>\$ 165,900</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest (net of amount capitalized)	\$ -	\$ -

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, 2022 and 2021

	Marketing & Public Relations	Visitors Services	Programs to Promote & Enhance	Other Activities	Total Program Services	General & Administrative	6/30/2022 Total Expenses	6/30/2021 Total Expenses
Salaries	\$ 192,800	\$ 67,000	\$ -	\$ -	\$ 259,800	\$ 208,700	\$ 468,500	\$ 344,900
Payroll taxes	15,500	5,400	-	-	20,900	16,600	37,500	27,400
Employee benefits	6,600	1,500	-	-	8,100	7,100	15,200	11,900
Advertising & marketing	713,500	-	4,200	-	717,700	400	718,100	206,500
Bad debts	-	-	-	-	-	10,700	10,700	4,400
Bank & credit card processing fees	-	-	-	-	-	3,700	3,700	3,500
Depreciation	12,900	-	300	-	13,200	7,000	20,200	19,900
Dues & subscriptions	-	800	-	-	800	5,600	6,400	10,900
Equipment rentals	22,600	6,500	-	-	29,100	17,300	46,400	41,200
Insurance	2,100	1,200	-	-	3,300	800	4,100	4,100
Interest	-	-	-	-	-	200	200	700
Licenses & fess	8,600	-	4,500	-	13,100	-	13,100	5,000
Meetings & events	-	-	-	-	-	200	200	-
Miscellaneous	100	1,500	100	-	1,700	4,600	6,300	4,800
Office expenses	10,200	300	2,700	-	13,200	3,000	16,200	15,500
Outside services	162,800	-	2,600	-	165,400	2,400	167,800	7,700
Postage & freight	226,200	-	-	-	226,200	22,800	249,000	176,200
Printing & reproduction	27,700	24,500	-	-	52,200	18,100	70,300	70,600
Professional development	-	6,000	-	-	6,000	1,700	7,700	1,700
Professional fees	-	-	154,300	-	154,800	-	154,800	34,700
Rent	500	-	-	-	-	2,600	9,000	11,100
Repairs & maintenance	5,000	1,400	-	-	6,400	5,300	21,900	1,000
Special events	12,000	100	4,500	-	16,600	2,700	3,800	2,900
Telecommunication	-	1,100	-	-	1,100	-	121,400	107,600
Travel	83,300	37,200	900	-	121,400	-	-	-
Utilities								
Website expenses								
Total expenses	\$ 1,502,400	\$ 154,500	\$ 174,100	\$ -	\$ 1,831,000	\$ 341,500	\$ 2,172,500	\$ 1,114,200

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, 2022 and 2021

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, 2021 financial statements to maintain consistency with the June 30, 2022 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, 2021, from which the summarized information was derived.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, 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 \$2,000. 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 during 2020/2021, 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, 2022 and 2021

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 have some donor restricted net assets for the year ended June 30, 2022. All Transient Occupancy Tax revenue from the City of Avalon must be spent solely and exclusively for the promotion of the City. The funds shall be expended as follows: to provide information services to the public, to prepare and distribute advertising and publicity materials, to promote the City for business and trade conventions, and to perform other such activities as may be required by the City. During 2021/2022, TOT revenues exceeded those expenditures by \$81,700.

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 \$579,715 for TOT revenues to be received from the City for the fiscal year 2021/2022. This estimated “true-up” payment is calculated by the City of Avalon based on estimated TOT revenues for the fiscal year 2021/2022.

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 September 22, 2022, which is the date the financial statements were available to be issued.

Note C – Cash and Cash Equivalents

As of June 30, 2022 and 2021, cash and cash equivalents consisted of the following:

	<u>2022</u>	<u>2021</u>
Checking	\$ 203,240	\$ 154,137
Money market	111,678	11,671
Petty cash	550	50
Total	<u>\$ 315,468</u>	<u>\$ 165,858</u>

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, investments consist of the following, which are considered Level 1 in the fair value hierarchy:

Fair Value Measurements at June 30, 2022

	Fair Value	Quoted Market Prices (Level 1)
Investments, at fair value:		
Demand deposit account	\$ 69,281	\$ 69,281
Bond funds	23,752	23,752
Exchange traded funds	19,855	19,855
	<u>\$ 112,887</u>	<u>\$ 112,887</u>

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>

Interest income for the year ended June 30, 2022 was \$1,009 and June 30, 2021 was \$1,973.

Note E – Property and Equipment

Property and equipment consist of the following as of June 30, 2022 and 2021:

	2022	2021
Furniture and equipment	12,416	12,416
Leasehold improvements	122,485	103,138
Computer hardware	5,211	7,444
Website development	46,385	46,385
	<u>\$ 186,498</u>	<u>\$ 169,383</u>
Less: accumulated depreciation	(77,452)	(77,390)
	<u>\$ 109,046</u>	<u>\$ 91,993</u>

Depreciation expense for the year ended June 30, 2022 was \$3,649 and June 30, 2021 was \$3,497.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

Note F – Grants

Effective March 15, 1994, CICCVC 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, 2022, TOT revenue totaled \$1,912,719 with receivables of \$579,715. During the fiscal year 2021/2022, the City estimated TOT revenues for the fiscal year and issued 12 installments. Once accounts were reconciled for the year, the City determined CICCVC was due an additional \$579,715.

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 CICCVC was due an additional \$481,683.

For the years ended June 30, 2022 and 2021, TOT grant revenue represents 79% and 88%, respectively of operating revenues and 98% of receivables and 94% of receivables, respectively.

Note G – Lease Commitments

CICCVC'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.

CICCVC leases management and marketing offices under a lease agreement expiring on August 31, 2022. For the year, ending June 30, 2022, monthly rent was \$3,042. A new lease agreement was entered into beginning September 1, 2022 for five years for less space for a reduced monthly rate.

CICCVC entered into an operating lease agreement for a copier beginning November 2021 for 60 months. The lease required fixed monthly payments of \$176 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
2023	\$ 22,125	\$ 2,106	\$ 24,231
2024	19,731	2,106	21,837
2025	20,323	2,106	22,429
2026	20,933	2,106	23,039
2027	21,561	702	22,263
	<u>\$ 104,673</u>	<u>\$ 9,126</u>	<u>\$ 113,799</u>

Note H – SBA PPP Loan

On February 18, 2021, CICCVC 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. CICCVC fully intends to comply with the terms in order to qualify for loan forgiveness. On July 6, 2021, CICCVC received forgiveness of the full \$99,306 PPP loan.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

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.

Repayment of the EIDL has been delayed until December 2022, but interest has continued to accrue during the deferment period.

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, 2022 and 2021, account balances exceeded FDIC insurance limits by \$59,291 and \$0, respectively.

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 \$11,906 and \$8,604 for the years ended June 30, 2022 and 2021, 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, 2022, 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	\$ 315,468
Investments not encumbered by board	112,887
Financial assets available for expenditures over next 12-months	<u>\$ 428,355</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 interest expense and liabilities by \$4,125 due to interest accrual on EIDL for 2020/2021. The 2021 financials have been adjusted to reflect this change.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

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. Two Visitors Services team members and key administrative staff continue to work in the Catalina Island Visitor Center or administrative offices.
- CICCVCB instituted and continues to use Zoom and Google Meets video conferencing systems in order to allow for a virtual work environment. Management has found that the impact on productivity related to these changes in the work environment have 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, two employees have 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. PPP loan forgiveness was received in July 2021. An EIDL loan in the amount of \$150,000 was received and deposited on June 3, 2020.

After a slow re-opening to leisure travel in spring of 2021, the CICCVCB has reported increased revenue levels in fiscal year 2021-2022 by 80% over those reported in 2020-2021. 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, has insulated them from further negative impacts related to the COVID-19 pandemic.