

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

Financial Statements

June 30, 2019 and 2018

(With Independent Auditor's Report Thereon)

Catalina Island Chamber of Commerce

and Visitors Bureau, Inc.

June 30, 2019

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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 non-profit organization), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statement of activities, cash flows, and functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, 2019 and 2018, and the changes in its net assets and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Catalina Island Chamber of Commerce and Visitors Bureau's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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, California
October 30, 2019

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Statement of Financial Position
June 30, 2019 and 2018

Assets

	<u>6/30/2019</u>	<u>6/30/2018</u>
Current Assets		
Cash and cash equivalents	\$ 175,800	\$ 268,600
Investments	83,400	72,800
Accounts receivable	8,700	38,100
Prepaid expenses	61,000	50,400
	328,900	429,900
Fixed Assets		
Property and equipment	170,200	171,800
Less: accumulated depreciation	(70,800)	(70,000)
	99,400	101,800
Total Assets	\$ 428,300	\$ 531,700

Liabilities & Net Assets

Current Liabilities		
Accounts payable	\$ 185,800	\$ 170,500
Accrued wages	47,500	44,600
Deferred income	40,600	13,500
	273,900	228,600
Net Assets		
Unrestricted net assets	154,400	303,100
Total Liabilities & Net Assets	\$ 428,300	\$ 531,700

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, 2019 and 2018

	<u>6/30/2019</u>	<u>6/30/2018</u>
Support and Revenue		
Public source revenue - Transient Occupancy Tax	\$ 1,187,900	\$ 1,178,600
Public source revenue - Rent Waiver	22,500	22,500
Membership dues	95,300	93,800
Advertising and marketing income	265,700	280,800
Programs and special events	167,200	161,600
Interest income	3,600	700
	1,742,200	1,738,000
Expenses		
Program Services		
Marketing & public relations	1,209,300	964,700
Visitors services	153,800	138,600
Programs to promote & enhance	208,900	163,400
Other activities	50,000	50,000
	1,622,000	1,316,700
Supporting Services		
General & administrative	268,900	300,800
	268,900	300,800
Total Expenses	1,890,900	1,617,500
Change in Net Assets	(148,700)	120,500
Net Assets at Beginning of Year	303,100	182,600
Net Assets at End of Year	\$ 154,400	\$ 303,100

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, 2019 and 2018

	<u>6/30/2019</u>	<u>6/30/2018</u>
Cash Flows from Operating Activities		
Reconciliation of net income to net cash provided by operating activities:		
Net income (loss)	\$ (148,700)	\$ 120,500
Depreciation expense	4,300	4,800
Changes in assets and liabilities		
Accounts receivable	29,400	(34,500)
Prepaid expenses	(10,600)	16,800
Accounts payable	15,300	(74,200)
Accrued wages	2,900	2,800
Deposits phone system	-	-
Deferred income	27,100	13,200
	(80,300)	49,400
Cash Flows from Investing Activities		
Purchase of investments	(10,600)	(7,900)
Equipment additions	(1,900)	(2,600)
	(12,500)	(10,500)
Cash Flows from Financing Activities	-	-
Net Cash Increase (Decrease)	(92,800)	38,900
Cash at Beginning of Year	\$ 268,600	\$ 229,700
Cash at End of Year	\$ 175,800	\$ 268,600
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest (net of amount capitalized)	\$ 400	\$ 100

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, 2019 and 2018

	<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>6/30/2019 Total Expenses</u>	<u>6/30/2018 Total Expenses</u>
Salaries	\$ 192,800	\$ 87,600	\$ -	\$ -	\$ 280,400	\$ 157,200	\$ 437,600	\$ 416,700
Payroll taxes	16,300	7,100	-	-	23,400	10,300	33,700	36,900
Employee benefits	28,900	13,300	-	-	42,200	17,200	59,400	59,100
Advertising & marketing	496,400	700	6,800	-	503,900	2,100	506,000	376,700
Bad debts	-	-	500	-	500	-	500	-
Bank & credit card processing fees	-	-	-	-	-	10,400	10,400	10,600
Depreciation	-	-	-	-	-	4,300	4,300	4,800
Dues & subscriptions	11,900	200	300	-	12,400	10,200	22,600	18,300
Equipment rentals	6,300	4,900	-	-	11,200	4,900	16,100	15,300
Insurance	-	-	-	-	-	6,700	6,700	6,300
Interest	-	-	-	-	-	400	400	100
Meetings & events	16,100	500	4,400	-	21,000	1,800	22,800	21,200
Miscellaneous	-	-	-	-	-	(200)	(200)	(1,100)
Office expenses	-	4,000	-	-	4,000	2,600	6,600	6,700
Outside services	67,100	-	900	50,000	118,000	1,000	119,000	73,900
Postage & freight	72,900	1,400	4,200	-	78,500	2,500	81,000	75,300
Printing & reproduction	130,200	-	800	-	131,000	-	131,000	127,700
Professional development	4,200	-	-	-	4,200	-	4,200	-
Professional fees	600	-	-	-	600	13,400	14,000	18,100
Rent	25,700	23,900	400	-	50,000	15,800	65,800	61,300
Repairs & maintenance	-	5,500	188,400	-	5,500	2,800	8,300	5,700
Special events	200	-	-	-	188,600	-	188,600	156,900
Telecommunication	4,600	3,300	-	-	7,900	-	7,900	8,200
Travel	20,500	200	2,200	-	22,900	2,000	24,900	28,500
Utilities	100	1,200	-	-	1,300	3,500	4,800	5,100
Website expenses	114,500	-	-	-	114,500	-	114,500	85,200
Total expenses	\$ 1,209,300	\$ 153,800	\$ 208,900	\$ 50,000	\$ 1,622,000	\$ 268,900	\$ 1,890,900	\$ 1,617,500

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, 2019 and 2018

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 are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation

CICCVB is required to report information regarding financial position and activities according to two classes of net assets: unrestricted net assets and donor restricted net assets. CICCVB does not have any donor restricted assets.

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, 2019 and 2018 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.

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.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note B – Summary of Significant Accounting Policies (continued)

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.

Compensated Absences

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

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 \$8,676 for TOT revenues to be received for the fiscal year 2018/2019. This estimated “true-up” payment is calculated by the City of Avalon based on estimated TOT revenues for the fiscal year 2018/2019.

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, 2019 or 2018. All net assets reported represent unrestricted resources over which the CICCVB Board has discretionary control.

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.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified in order to be comparable with the current year presentation.

Date of Management’s Review

CICCVB has evaluated subsequent events through October 29, 2019, which is the date the financial statements were available to be issued.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note C – Cash and Cash Equivalents

As of June 30, 2019 and 2018, cash and cash equivalents consisted of the following:

	<u>2019</u>	<u>2018</u>
Checking	\$ 79,124	\$ 120,866
Money market	96,580	146,459
Petty cash	50	1,277
Total	<u>\$ 175,753</u>	<u>\$ 268,603</u>

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, 2019 and 2018, investments consist of the following, which are considered Level 1 in the fair value hierarchy:

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>

Fair Value Measurements at June 30, 2018

	<u>Fair Value</u>	<u>Quoted Market Prices (Level 1)</u>
Investments, at fair value:		
Demand deposit account	\$ 1,159	\$ 1,159
Bond funds	14,238	14,238
Exchange traded funds	57,364	57,364
	<u>\$ 72,761</u>	<u>\$ 72,761</u>

Interest income for the year ended June 30, 2019 was \$2,377 and June 30, 2018 was \$1,660.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note E – Property and Equipment

Property and equipment consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	12,416	12,928
Leasehold improvements	103,138	103,138
Computer hardware	7,444	8,518
Computer software	830	830
Website development	46,385	46,385
	<u>\$ 170,213</u>	<u>\$ 171,799</u>
Less: accumulated depreciation	<u>(70,820)</u>	<u>(69,964)</u>
	<u>\$ 99,393</u>	<u>\$ 101,835</u>

Depreciation expense for the year ended June 30, 2019 was \$4,301 and June 30, 2018 was \$4,844.

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, 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 year ended June 30, 2018, TOT revenue totaled \$1,178,594 with receivables of \$33,494. During the fiscal year 2017/2018, 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 \$33,494.

For the years ended June 30, 2019 and 2018, TOT grant revenue represents 68% and 68%, respectively of operating revenues and 92% and 86% 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 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.

CICCVB leases management and marketing offices under a lease agreement expiring on August 31, 2022. For the year ending June 30, 2019, 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.

Catalina Island Chamber of Commerce and Visitors Bureau, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note G – Lease Commitments (continued)

The minimum future lease payments are as follows:

Year Ending June 30,	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2020	\$ 55,714	\$ 7,620	\$ 63,334
2021	57,214	3,175	60,389
2022	58,714	-	58,714
2023	28,547	-	28,547
2024	-	-	-
	<u>\$ 200,189</u>	<u>\$ 10,795</u>	<u>\$ 210,984</u>

Note H – 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, 2019 and 2018, 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 I – 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 \$11,341 and \$10,695 for the years ended June 30, 2019 and 2018, respectively.

Note J – 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, 2019, 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	\$175,753
Investments not encumbered by board	<u>83,408</u>
Financial assets available for expenditures over next 12-months	<u>\$259,161</u>

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