

**Lompoc Valley Chamber of Commerce
and Visitors Bureau**

Audited Financial Statements

June 30, 2012

Lompoc Valley Chamber of Commerce and Visitors Bureau

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Independent Auditors' Report

Board of Directors
Lompoc Valley Chamber of Commerce and Visitors Bureau
111 South I Street
Lompoc, CA 93436

We have audited the accompanying statement of financial position of Lompoc Valley Chamber of Commerce and Visitors Bureau (a nonprofit corporation) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Lompoc Valley Chamber of Commerce and Visitors Bureau as of June 30, 2012, and the changes in its net assets and its cash flows, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Moss, Levy & Hartzheim LLP

Santa Maria, California

February 25, 2013

Lompoc Valley Chamber of Commerce and Visitors Bureau
Statement of Financial Position
June 30, 2012

| | | |
|-----------------------------------|---|--------------------------|
| Assets | | |
| Current assets | | |
| Cash | | \$ 125,611 |
| Accounts receivable | | 12,042 |
| Prepaid insurance | | 4,216 |
| Prepaid interest | | 1,938 |
| | | <u>143,807</u> |
| | Total current assets | <u>143,807</u> |
| Fixed assets | | |
| Fixed assets, at cost | | 514,853 |
| Less: Accumulated depreciation | | <u>(107,133)</u> |
| | Net fixed assets | <u>407,720</u> |
| | Total assets | <u><u>\$ 551,527</u></u> |
| Liabilities and net assets | | |
| Current liabilities | | |
| Accounts payable | | \$ 5,989 |
| Payroll liabilities | | 5,798 |
| Accrued vacation | | 5,251 |
| Deferred revenue | | 42,585 |
| Note payable | | 465,000 |
| | | <u>524,623</u> |
| | Total current liabilities | <u>524,623</u> |
| Net assets | | |
| Unrestricted | | |
| Undesignated | | <u>26,904</u> |
| | Total net assets | <u>26,904</u> |
| | Total liabilities and net assets | <u><u>\$ 551,527</u></u> |

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

Lompoc Valley Chamber of Commerce and Visitors Bureau
Statement of Activities
Fiscal Year Ended June 30, 2012

Unrestricted:

Revenues:

| | |
|---------------------------------------|------------|
| Government contracts | \$ 163,724 |
| Membership dues | 69,133 |
| Downtown Revitalization | 7,490 |
| Hispanic Business | 3,707 |
| Leadership Lompoc Valley (LLV) | 18,259 |
| Youth Leadership Lompoc Valley (YLLV) | 4,251 |
| Lompoc Valley in Bloom (LVIB) | 23,067 |
| Military Affairs | 6,827 |
| Ambassadors | 650 |
| Sponsorship, net | 1,930 |
| Advertising | 3,064 |
| Subscriptions | 5,880 |
| Tourism | 518 |
| Rentals | 26,025 |
| Special events (net of direct costs) | (31) |
| Interest | 28 |
| Miscellaneous | 5,186 |
| | <hr/> |
| Total revenues | 339,708 |

Expenses:

Program services:

| | |
|---------------------------------------|---------|
| Business services | 235,577 |
| Leadership Lompoc Valley (LLV) | 14,199 |
| Youth Leadership Lompoc Valley (YLLV) | 1,538 |
| Lompoc Valley in Bloom (LVIB) | 26,056 |
| Military Affairs | 5,593 |
| | <hr/> |

Total program services expenses 282,963

Support services:

| | |
|------------------------|--------|
| Management and general | 49,278 |
| Fund raising | 14,172 |
| | <hr/> |

Total expenses 346,413

Decrease in net assets (6,705)

| | |
|--|----------|
| Net assets at beginning of fiscal year | 62,229 |
| Prior period adjustments | (28,620) |
| | <hr/> |

Net assets at beginning of fiscal year, restated 33,609

Net assets at end of fiscal year \$ 26,904

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

Lompoc Valley Chamber of Commerce and Visitors Bureau
 Statement of Functional Expenses for Program and Support Services
 Fiscal Year Ended June 30, 2012

| | Program Services | | | | | Support Services | | Total Expenses | |
|----------------------------------|-------------------|------------------|-----------------|------------------|------------------|-------------------|------------------------|------------------|-------------------|
| | Business Services | LLV | YLLV | LVIB | Military Affairs | Total | Management and General | | Fund Raising |
| Salaries and wages | \$ 89,064 | \$ 1,200 | \$ 41 | \$ - | \$ 600 | \$ 90,905 | \$ 23,751 | \$ 5,938 | \$ 120,594 |
| Payroll taxes | 8,127 | | | | | 8,127 | 2,167 | 542 | 10,836 |
| Retirement plan | 1,972 | | | | | 1,972 | 526 | 132 | 2,630 |
| Workers' compensation | 1,069 | | | | | 1,069 | 285 | 71 | 1,425 |
| Total personnel costs | 100,232 | 1,200 | 41 | | 600 | 102,073 | 26,729 | 6,683 | 135,485 |
| Advertising and promotion | 38,098 | | | | | 38,098 | | 220 | 38,318 |
| Bad debt | 2,830 | | | | | 2,830 | | | 2,830 |
| Bank fees | 1,864 | | | | | 1,864 | | | 1,864 |
| Brochures | 2,070 | | | | | 2,070 | | | 2,070 |
| Dues and fees | 1,526 | | | | | 1,526 | | | 1,526 |
| Equipment rental | 10,417 | | | | | 10,417 | 2,778 | 695 | 13,890 |
| Insurance | 5,172 | | | | | 5,172 | 1,379 | 345 | 6,896 |
| Interest | 21,391 | | | | | 21,391 | 5,704 | 1,426 | 28,521 |
| Janitorial | 5,531 | | | | | 5,531 | 1,475 | 369 | 7,375 |
| Miscellaneous | 2,453 | | | | 358 | 2,811 | | 205 | 3,016 |
| Newsletter | | | | | | | | 2,297 | 2,297 |
| Outside services | 7,190 | | | | | 7,190 | 2,503 | | 9,693 |
| Postage | 2,189 | 154 | 95 | 131 | 3 | 2,572 | 686 | 172 | 3,430 |
| Professional development | 2,722 | | | | | 2,722 | 680 | | 3,402 |
| Program, Hispanic Business | 1,517 | | | | | 1,517 | | | 1,517 |
| Program, Downtown Revitalization | 3,128 | | | | | 3,128 | | | 3,128 |
| Program, Ambassadors | 60 | | | | | 60 | | | 60 |
| Program, VIPs | 11 | | | | | 11 | | | 11 |
| Program, Tourism | 184 | | | | | 184 | | | 184 |
| Program, other | | 12,518 | 1,105 | 25,925 | 4,632 | 44,180 | | | 44,180 |
| Property taxes | 5,220 | | | | | 5,220 | 1,392 | 348 | 6,960 |
| Repairs and maintenance | 1,797 | | | | | 1,797 | 479 | 120 | 2,396 |
| Special events direct costs | | | | | | | | 10,515 | 10,515 |
| Supplies | 5,338 | 327 | 297 | | | 5,962 | 1,590 | 397 | 7,949 |
| Travel | 1,214 | | | | | 1,214 | 304 | | 1,518 |
| Utilities | 5,558 | | | | | 5,558 | 1,482 | 371 | 7,411 |
| Subtotal expenses | 227,712 | 14,199 | 1,538 | 26,056 | 5,593 | 275,098 | 47,181 | 24,163 | 346,442 |
| Depreciation | 7,865 | | | | | 7,865 | 2,097 | 524 | 10,486 |
| Less special event direct costs | | | | | | | | (10,515) | (10,515) |
| Total expenses | \$ 235,577 | \$ 14,199 | \$ 1,538 | \$ 26,056 | \$ 5,593 | \$ 282,963 | \$ 49,278 | \$ 14,172 | \$ 346,413 |
| Percent of total expenses | 68.00% | 4.10% | 0.44% | 7.52% | 1.61% | 81.67% | 14.23% | 4.10% | 100.00% |

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

Lompoc Valley Chamber of Commerce and Visitors Bureau
Statement of Cash Flows
Fiscal Year Ended June 30, 2012

| | |
|--|--------------------------|
| Cash flows from operating activities | |
| Decrease in net assets | \$ (6,705) |
| Adjustments to reconcile decrease in net assets to net cash provided by operating activities: | |
| Depreciation | 10,486 |
| Changes in operating assets and liabilities: | |
| (Increase) decrease in: | |
| Accounts receivable | 23,090 |
| Prepaid insurance | (184) |
| Prepaid interest | 527 |
| Increase (decrease) in: | |
| Accounts payable | 5,459 |
| Payroll liabilities | 4,138 |
| Accrued vacation | 1,892 |
| Deferred revenue | <u>(1,439)</u> |
| Net cash provided by operating activities | <u>37,264</u> |
| Cash flows from investing activities | |
| Purchases of fixed assets | <u>(275)</u> |
| Net cash used by investing activities | <u>(275)</u> |
| Net increase in cash and equivalents | 36,989 |
| Cash and cash equivalents at beginning of fiscal year | <u>88,622</u> |
| Cash and cash equivalents at end of fiscal year | <u><u>\$ 125,611</u></u> |
| Supplementary cash flow disclosure: | |
| Cash paid for interest | <u><u>\$ 27,993</u></u> |

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

Note 1 - Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America applicable to voluntary health and welfare organizations and have been consistently applied.

Nature of operations

Lompoc Valley Chamber of Commerce and Visitors Bureau (the Chamber), is a nonprofit membership organization of businesses, professional organizations, and individuals committed to improving the economy, quality of life, and promoting business and tourism in the Lompoc Valley area of central California. The Chamber derives its revenues primarily from government contracts, membership dues, rents, service fees, and fund raising.

Description of programs

Business services - provides a business council, economic development committee, a Hispanic business committee, a tourism committee, office space rentals, and downtown revitalization programs to support and promote business and tourism in the Lompoc Valley.

Leadership Lompoc Valley - is a nine month program designed to educate, and enhance leadership and management skills in its participants through monthly topic days, workshops, panels, tours, and hands-on involvement.

Youth Leadership Lompoc Valley - develops future community leaders by motivating and empowering select high school students through issues-related seminars, and interaction with community leaders.

Lompoc Valley In Bloom - beautifies and promotes tourism in Lompoc by maintaining streets, school campuses, benches, and planters on the main thoroughfares of the City.

Military Affairs - hosts the annual Airmen Appreciation Barbeque to thank the service members at Vandenberg Air Force Base.

Management and General - Includes the functions necessary to maintain the Organization's support program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy through the office of the executive director; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

Fund raising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and businesses.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other accruals.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations, or that expire by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Note 1 - Significant Accounting Policies (continued)

Functional allocation of expenses

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

Subsequent events

Subsequent events were evaluated through February 25, 2013, which was the date the financial statements were available to be issued. No significant subsequent events were noted.

Tax status

The Chamber has been determined to be exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code and has been classified as an organization other than a private foundation. The Chamber reports unrelated business income on IRS Form 990-T and on State Form 109 and pays income taxes on unrelated business income, which consists of rents received for office space, and advertisement revenue from the newsletter and maps. There was no unrelated business income tax for the fiscal year ended June 30, 2012.

Cash

All short-term investments with original maturities of three months or less are considered to be cash equivalents.

Accounts receivable and allowance for doubtful accounts

Receivables are accounted for on the accrual basis and become past due after 30 days. The allowance for doubtful accounts totaled \$2,830 and is estimated based on aged receivable balances. Trade receivables are written off if all efforts at collection have failed and management determines that collection is unlikely. Receivables aged 90 days or more totaled \$1,205 at June 30, 2012.

Fixed assets

Purchases of fixed assets costing \$1,000 or more are capitalized. Donated fixed assets valued at \$1,000 or more are capitalized and recorded at fair value at the time of receipt. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the fiscal year of disposal. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the assets, that total five years for equipment, and 39 years for the building.

Donations of property and equipment

Donations of property and equipment (long-lived assets) that do not have donor imposed stipulations about how long the property must be used are recorded as unrestricted contributions in the fiscal year received.

Revenue recognition

Grants and contributions are recognized as revenue when received, or receivables if the amount to be received can be reasonably estimated and collection is reasonably assured, under the accrual method of accounting. All other revenues and expenditures are recorded when earned.

Advertising costs

Advertising costs intended to solicit revenue in an exchange transaction are recorded as management and general expenses in the period incurred.

Deferred revenue

Membership dues, rents, and special events receipts are recognized as revenue in the fiscal year they are earned. Amounts collected or billed for future fiscal years are recorded as deferred revenue.

Contributed services

The Chamber records the fair value of contributed services in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills; are provided by persons possessing those skills; and would need to be purchased if they were not donated as required by SFAS 116. A substantial number of volunteers have donated significant amounts of time to the Chamber's activities, that is not reflected in the accompanying financial statements because these services did not meet the above criteria.

Note 1 - Significant Accounting Policies (continued)

Restricted and unrestricted revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Uncertainty in income taxes

Effective July 1, 2009, the Chamber implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2012, the Chamber had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

With few exceptions, the Chamber is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years before July 1, 2009.

Note 2 - Credit Risk

Total cash held in banks by the Chamber at June 30, 2012, was covered by federal depository insurance.

Note 3 - Concentrations

One customer accounted for 23% of the net receivable balance. No other customer accounted for 10% or more of the net accounts receivable balance at June 30, 2012. Concentrations of revenues for the fiscal year ended June 30, 2012, are as follows:

| | Amount | % of Total |
|--|-------------------|----------------|
| City of Lompoc | \$ 144,742 | 42.61% |
| County of Santa Barbara | 18,982 | 5.59% |
| Membership dues | 69,133 | 20.35% |
| Chamber Community Development Foundation | 38,195 | 11.24% |
| All other | 68,656 | 20.21% |
| Total support and revenues | <u>\$ 339,708</u> | <u>100.00%</u> |

Note 4 - Fixed Assets

Fixed assets activity for the fiscal year ended June 30, 2012, is summarized below:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--------------------------------|----------------------|--------------------|-------------|-------------------|
| Land | \$ 100,000 | \$ - | \$ - | \$ 100,000 |
| Building | 386,353 | | | 386,353 |
| Equipment | 28,225 | 275 | | 28,500 |
| Fixed assets at cost | 514,578 | 275 | | 514,853 |
| Less: Accumulated depreciation | 96,647 | 10,486 | | 107,133 |
| Net fixed assets | <u>\$ 417,931</u> | <u>\$ (10,211)</u> | <u>\$ -</u> | <u>\$ 407,720</u> |

Lompoc Valley Chamber of Commerce and Visitors Bureau
Notes to the Financial Statements
Fiscal Year Ended June 30, 2012

Note 5 - Deferred Revenue

The Chamber sells annual memberships that expire throughout the fiscal year. Membership dues, rents, and special events receipts collected for the following fiscal year are recorded as deferred revenue until they are earned. Deferred revenue activity consisted of the following for the fiscal year ended June 30, 2012:

| | Beginning Balance | Amounts Collected | Amounts Earned | Ending Balance |
|-------------------------|----------------------|----------------------|--------------------|-------------------|
| Membership dues | \$ 39,110 | \$ 69,133 | \$ (69,133) | \$ 39,110 |
| Rents | 2,005 | 26,355 | (26,025) | 2,335 |
| Special events receipts | 2,909 | 1,140 | (2,909) | 1,140 |
| Total | <u>\$ 44,024</u> | <u>\$ 96,628</u> | <u>\$ (98,067)</u> | <u>\$ 42,585</u> |

Note 6 - Note Payable

The Chamber holds notes payable to four individuals dated April 15, 2009, in the amount of \$116,250 each, totaling \$465,000, with interest calculated at 6.36%, decreasing to 5% beginning May 1, 2012, and maturing on April 30, 2013. Repayment terms require monthly payments of interest only, with all remaining principal and accrued interest due at maturity. Terms include a late fee of 6%, a prepayment fee equal to one year's interest, and any default in interest payments, or sale or transfer of the property, makes the principal immediately due and payable. The notes are secured by real property at 111 South I Street in Lompoc.

Note 7 - Rentals

The Chamber leases office space to several businesses under term lease agreements that expire in 2012 and 2013. The leases require monthly rental receipts of \$2,770. Rental income for the leases totaled \$26,025 for the fiscal year ended June 30, 2012. Future minimum rental receipts required for the leases are as follows:

| | |
|-----------------------------|------------------|
| Fiscal year ending June 30, | |
| 2013 | \$ 22,180 |
| 2014 | 4,140 |
| Total | <u>\$ 26,320</u> |

Note 8 - Special Events

The Chamber conducts many special events for membership each fiscal year, intended for networking and socialization. Ticket costs are set to cover expenses rather than to raise funds. Activity for special events is detailed below:

| | Receipts | Direct Costs | Net Proceeds |
|---------------------------|------------------|------------------|-----------------|
| Membership Luncheons | \$ 6,064 | \$ 6,186 | \$ (122) |
| Membership Annual Banquet | 4,420 | 4,329 | 91 |
| Total | <u>\$ 10,484</u> | <u>\$ 10,515</u> | <u>\$ (31)</u> |

Note 9 - Operating Leases

The Chamber leases a copier and telephone equipment under operating lease agreements that expire in 2013 and 2015. The leases require monthly rental payments of \$1,135. Rent expense for the leases totaled \$13,890 for the fiscal year ended June 30, 2012. Future minimum rental payments required for the leases are as follows:

| | |
|-----------------------------|------------------|
| Fiscal year ending June 30, | |
| 2013 | \$ 13,624 |
| 2014 | 7,240 |
| 2015 | 3,017 |
| Total | <u>\$ 23,881</u> |

Lompoc Valley Chamber of Commerce and Visitors Bureau
Notes to the Financial Statements
Fiscal Year Ended June 30, 2012

Note 10 - Retirement Plan

The Chamber sponsors a SIMPLE (Savings Incentive Match Plan for Employees) IRA (Individual Retirement Account) which allows employees to contribute to the plan through salary deferrals. The Chamber contributes 2% of eligible employees' gross wages annually. The Chamber's retirement plan expense totaled \$2,630 for the fiscal year ended June 30, 2012.

Note 11 - Related Party

The Lompoc Valley Chamber of Commerce Community Development Foundation (the Foundation) is a 501(c)(3) organization that raises money to fund programs and projects that benefit the community served by the Chamber. Some Chamber board of directors' members also serve on the Foundation's board of directors. The Foundation contributed \$38,195 to the Chamber during the fiscal year ended June 30, 2012, which included accounts receivable of \$2,817 at June 30, 2012.

Note 12 - Prior Period Adjustments

A few adjustments to net assets were made during the fiscal year ended June 30, 2012, to reflect accrual balances for the prior fiscal year asset and liability accounts, as described in the following schedule:

| | <u>Total Net Assets</u> |
|--|-----------------------------|
| Net assets beginning balance | \$ 62,229 |
| Adjustments: | |
| Deferred revenue, membership dues | (39,110) |
| Deferred revenue, rents | (2,005) |
| Accounts receivable, City of Lompoc | 6,367 |
| Prepaid insurance | 3,425 |
| Prepaid mortgage interest | 2,465 |
| Accrued sick pay | 768 |
| Accounts payable | <u>(530)</u> |
| Total prior period adjustments | <u>(28,620)</u> |
| Net assets beginning balance, restated | <u><u>\$ 33,609</u></u> |