

**BUELLTON BUSINESS ASSOCIATION /
CHAMBER OF COMMERCE**

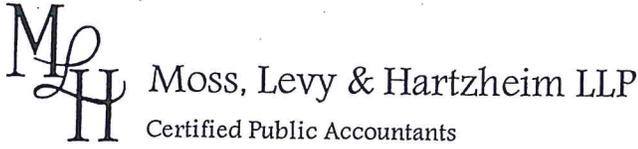
Audited Financial Statements

June 30, 2015

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE

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Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Buellton Business Association/Chamber of Commerce
597 Avenue of Flags, Unit 101
Buellton, California 93427

We have audited the accompanying financial statements of Buellton Business Association/Chamber of Commerce (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2015, the related statements of activities, functional expenses, and cash flows for the fiscal 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.

Auditors' 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 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 auditors' 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 Buellton Business Association/Chamber of Commerce as of June 30, 2015, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 14, 2015

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE
 Statement of Financial Position
 June 30, 2015

	Unrestricted Chamber of Commerce	Temporarily Restricted Visitors Bureau	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 79,162	\$ 209,187	\$ 288,349
Accounts receivable	1,030	72,821	73,851
Deposits	216		216
Total current assets	<u>80,408</u>	<u>282,008</u>	<u>362,416</u>
Fixed assets			
Furniture and equipment	3,618	34,792	38,410
Less: Accumulated depreciation	<u>(2,591)</u>	<u>(7,946)</u>	<u>(10,537)</u>
Net fixed assets	<u>1,027</u>	<u>26,846</u>	<u>27,873</u>
Other assets			
Logo and web site	6,925	12,860	19,785
Less: Accumulated amortization	<u>(3,253)</u>	<u>(7,749)</u>	<u>(11,002)</u>
Net intangible assets	<u>3,672</u>	<u>5,111</u>	<u>8,783</u>
Total assets	<u>\$ 85,107</u>	<u>\$ 313,965</u>	<u>\$ 399,072</u>
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 645	\$ 5,493	\$ 6,138
Accrued wages	1,250	2,917	4,167
Accrued payroll taxes	494	845	1,339
Deferred revenue	12,425		12,425
Total current liabilities	<u>14,814</u>	<u>9,255</u>	<u>24,069</u>
Net assets			
Unrestricted	70,293		70,293
Temporarily restricted - Visitors Bureau		<u>304,710</u>	<u>304,710</u>
Total net assets	<u>70,293</u>	<u>304,710</u>	<u>375,003</u>
Total liabilities and net assets	<u>\$ 85,107</u>	<u>\$ 313,965</u>	<u>\$ 399,072</u>

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

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE
 Statement of Activities
 Fiscal Year Ended June 30, 2015

	Unrestricted Chamber of Commerce	Temporarily Restricted Visitors Bureau	Total
Revenues:			
City of Buellton contract	\$ -	\$ 381,261	\$ 381,261
County of Santa Barbara contract		2,758	2,758
Membership dues	25,475		25,475
Advertising	4,345		4,345
Billboard rental	4,897	63	4,960
Special events net of direct costs	29,026		29,026
Interest	2		2
Total revenues	<u>63,745</u>	<u>384,082</u>	<u>447,827</u>
Support:			
Contributions in-kind	7,814	14,407	22,221
Total support	<u>7,814</u>	<u>14,407</u>	<u>22,221</u>
Total revenues and support	<u>71,559</u>	<u>398,489</u>	<u>470,048</u>
Reclassifications:			
Temporarily restricted net assets released from restrictions	335,884	(335,884)	
Total support, revenues, and reclassifications	<u>407,443</u>	<u>62,605</u>	<u>470,048</u>
Expenses:			
Program services:			
Chamber of Commerce	31,027		31,027
Visitors Bureau	335,884		335,884
Support services:			
Management and general	17,729		17,729
Fundraising	10,435		10,435
Total expenses	<u>395,075</u>		<u>395,075</u>
Increase in net assets	12,368	62,605	74,973
Net assets at beginning of fiscal year	<u>57,925</u>	<u>242,105</u>	<u>300,030</u>
Net assets at end of fiscal year	<u>\$ 70,293</u>	<u>\$ 304,710</u>	<u>\$ 375,003</u>

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

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE
Statement of Functional Expenses for Program and Support Services
Fiscal Year Ended June 30, 2015

	Program Services			Support Services		Total Expenses
	Chamber of Commerce	Visitors Bureau	Total	Management and General	Fund Raising	
Salaries and wages	\$ 14,707	\$ 68,633	\$ 83,340	\$ 9,805	\$ 4,902	\$ 98,047
Payroll taxes	1,130	6,565	7,695	752	376	8,823
Contract labor		11,364	11,364			11,364
Workers' compensation	68	563	631	45	22	698
Total personnel costs	15,905	87,125	103,030	10,602	5,300	118,932
Advertising		120,403	120,403	2,954		123,357
Accounting	610	3,325	3,935	333	166	4,434
Bank and credit card fees	115	10	125	63	31	219
Billboards		17,000	17,000		426	17,426
Conferences and meetings	2,610	1,032	3,642			3,642
Corporation filing fees				10		10
Dues and subscriptions	1,142	1,975	3,117			3,117
Economic development		25,978	25,978			25,978
Insurance	628	1,674	2,302	342	171	2,815
Maintenance and repairs	128	1,778	1,906	70	35	2,011
Mileage	211	841	1,052			1,052
Office supplies and expenses	2,292	3,441	5,733	1,250	625	7,608
Payroll service fees	330	1,800	2,130	180	90	2,400
Postage	393	1,845	2,238	215	107	2,560
Property tax		411	411	137		548
Rent	742	3,098	3,840	404	202	4,446
Security	72	306	378	20	10	408
Special events direct costs					80,145	80,145
Sponsorships and donations	773	19,137	19,910			19,910
Telephone and internet	265	1,567	1,832	144	72	2,048
Tradeshows		17,000	17,000			17,000
Winter Fest		7,866	7,866			7,866
Web site	180		180			180
Total operating expenses	26,396	317,612	344,008	16,724	87,380	448,112
Less: Special events direct costs					(80,145)	(80,145)
Contributions in-kind	3,691	14,407	18,098	923	3,200	22,221
Amortization	693	1,286	1,979			1,979
Depreciation	247	2,579	2,826	82		2,908
Total expenses	\$ 31,027	\$ 335,884	\$ 366,911	\$ 17,729	\$ 10,435	\$ 395,075
Percent of total expenses	7.85%	85.02%	92.87%	4.49%	2.64%	100.00%

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

BUJELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE

Statement of Cash Flows

Fiscal Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash flows from operating activities			
Increase in net assets	\$ 12,368	\$ 62,605	\$ 74,973
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:			
Amortization	693	1,286	1,979
Depreciation	329	2,579	2,908
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	445	(5,879)	(5,434)
Increase (decrease) in:			
Accounts payable	(710)	235	(475)
Accrued wages	147	342	489
Accrued payroll taxes	70	(391)	(321)
Deferred revenue	(625)		(625)
Net cash provided by operating activities	<u>12,717</u>	<u>60,777</u>	<u>73,494</u>
Cash flows from investing activities			
Purchases of fixed assets		(3,243)	(3,243)
Proceeds from disposals of fixed assets	2,500		2,500
Net cash provided (used) by investing activities	<u>2,500</u>	<u>(3,243)</u>	<u>(743)</u>
Net Increase in cash and equivalents	15,217	57,534	72,751
Cash and cash equivalents at beginning of fiscal year	<u>63,945</u>	<u>151,653</u>	<u>215,598</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 79,162</u>	<u>\$ 209,187</u>	<u>\$ 288,349</u>

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

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

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

The Buellton Business Association/Chamber of Commerce (BBACC) was established in 1956 as a nonprofit mutual benefit corporation, whose mission is to serve as an advocate and resource for businesses in the City of Buellton, located in the central coast area of California. BBACC also operates the Buellton Visitors Bureau (BVB), and derives its revenues primarily from service fees, membership dues, fundraising, and contributions.

Description of programs

Chamber of Commerce - Promotes the retention, expansion, and attraction of businesses; while striving to promote growth, prosperity, and quality of life for BBACC members and the Buellton community.

Visitors Bureau - Promotes the City of Buellton and the surrounding community as a tourist destination by providing resources to area visitors on where to eat, what to do, sights to see, and scheduled events, all in an effort to give enjoyment, entertainment, and reasons for visitors to return to the Buellton area.

Management and General - Includes the functions necessary to support BBACC's programs; ensure an adequate working environment; provide coordination and articulation of BBACC'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 BBACC; and manage the financial and budgetary responsibilities of the Organization.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, governmental units, 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. BBACC receives contract funds from the City of Buellton and the County of Santa Barbara temporarily restricted for BVB operations.

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. BBACC does not currently have any permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with the accrual basis of accounting includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Subsequent events

Subsequent events have been evaluated through December 14, 2015, which is the date the financial statements were available to be issued.

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

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.

Tax status

BBACC has been determined to be exempt from federal and state income tax under section 501(c)(6) of the Internal Revenue Code, and Section 23701(e) of the California Revenue and Taxation Code, respectively, except for taxes on unrelated business income. With few exceptions, BBACC is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years before July 1, 2012 and 2011, respectively.

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. No allowance for uncollectable accounts has been provided, as BBACC typically collects all outstanding amounts. Trade receivables are written off if all efforts at collection have failed and management determines that collection is unlikely.

Deposits

Deposits consist of funds held by the vendor for workers' compensation insurance, and a storage unit.

Fixed assets

Purchases of fixed assets costing \$500 or more are capitalized. Donated fixed assets valued at \$500 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 range from five to seven years for equipment.

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.

Deferred revenue

Membership dues, 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.

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 are recorded when earned.

Contributed services

BBACC 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 ASC 958. Some volunteers have donated significant amounts of time to BBACC's activities, that is not reflected in the accompanying financial statements because these services did not meet the above criteria.

Advertising costs

Advertising costs intended to solicit revenue in an exchange transaction are expensed in the period incurred.

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE
 Notes to the Financial Statements
 Fiscal Year Ended June 30, 2015

Note 1 - Significant Accounting Policies (continued)

Restricted and unrestricted revenues

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.

Note 2 - Credit Risk

Cash for the BBACC and BVB are held in separate bank accounts. All cash in banks was insured by the federal depository insurance corporation at June 30, 2015.

Note 3 - Fixed Assets

Fixed assets at June 30, 2015, are detailed in the following schedule:

	Beginning Balance	Additions	Disposals	Ending Balance
BBA/Chamber of Commerce:				
Furniture and equipment	\$ 6,117	\$ -	\$ (2,500)	\$ 3,617
Less: Accumulated depreciation	(2,261)	(329)		(2,590)
Net fixed assets	3,856	(329)	(2,500)	1,027
Buellton Visitors Bureau:				
Furniture and equipment	31,550	3,243		34,793
Less: Accumulated depreciation	(5,368)	(2,579)		(7,947)
Net fixed assets	26,182	664		26,846
Total:				
Furniture and equipment	37,667	3,243	(2,500)	38,410
Less: Accumulated depreciation	(7,629)	(2,908)		(10,537)
Net fixed assets	\$ 30,038	\$ 335	\$ (2,500)	\$ 27,873

Note 4 - Intangible Assets

Intangible assets at June 30, 2015, are detailed in the following schedule:

	Beginning Balance	Additions	Disposals	Ending Balance
BBA/Chamber of Commerce:				
Logo and web site	\$ 6,925	\$ -	\$ -	\$ 6,925
Less: Accumulated amortization	(2,560)	(693)		(3,253)
Net intangible assets	4,365	(693)		3,672
Buellton Visitors Bureau:				
Logo and web site	12,860			12,860
Less: Accumulated amortization	(6,463)	(1,286)		(7,749)
Net intangible assets	6,397	(1,286)		5,111
Total:				
Logo and web site	19,785			19,785
Less: Accumulated amortization	(9,023)	(1,979)		(11,002)
Net intangible assets	\$ 10,762	\$ (1,979)	\$ -	\$ 8,783

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

Note 5 - Concentrations

The City of Buellton's contract with BBACC for promoting the City of Buellton to tourists and visitors through the BVB, accounted for 81% of total revenues and support for the fiscal year ended June 30, 2015. No other contractor, grantor, contributor, or customer accounted for ten percent or more of total revenues and support.

The amount due from the City of Buellton accounted for 97% of total accounts receivable at June 30, 2015. No other contractor, grantor, contributor, or customer accounted for ten percent or more of total accounts receivable.

Note 6 - Special Events

BBACC conducts several special events each fiscal year through the Chamber of Commerce. The Brew Fest was the major fundraising event this year. Raffles also produce income. The other events charge fees for attendance only to cover costs. Activity for the special events is detailed below. Receipts include special events revenue excluding contributions.

Chamber of Commerce events:	Receipts	Direct Costs	Net Proceeds
Brew Fest	\$ 97,900	\$ 70,643	\$ 27,257
Wine and Chili Festival		1,197	(1,197)
State of the City Luncheon	3,240	3,435	(195)
Installation Luncheon	1,980	2,172	(192)
Mixers and raffles	3,431	23	3,408
Winter Fest - Breakfast with Santa	2,620	2,675	(55)
Total special events	<u>\$ 109,171</u>	<u>\$ 80,145</u>	<u>\$ 29,026</u>

Note 7 - Contributions In-kind

Contributions in-kind for the fiscal year ended June 30, 2015, included office space, professional services, and special events facilities and supplies, as detailed below:

	BBACC	BVB	Total
Office space	\$ 4,050	\$ 12,150	\$ 16,200
Accounting services	564	2,257	2,821
Special events facilities, food, supplies	3,200		3,200
Total contributions in-kind	<u>\$ 7,814</u>	<u>\$ 14,407</u>	<u>\$ 22,221</u>

Note 8 - Operating Leases

BBACC leases office space, office equipment, billboards, and a storage unit under various operating leases. Billboard leases are on an annual rental basis, the storage units and most office equipment are on month to month agreements. The copier equipment lease matures in 2018, and the office space lease matures on July 31, 2019, and may be extended for two additional five year terms. The lease payments for office space are waived if BBACC provides certain economic development services specified by the City of Buellton (see Note 10). Rent expense for the fiscal year ended June 30, 2015, totaled \$21,872, including billboard utilities and maintenance costs. Future minimum rental payments required under the lease agreements are as follows:

Fiscal year ended June 30,	
2016	\$ 18,131
2017	18,131
2018	18,131
2019	16,361
Total	<u>\$ 70,754</u>

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets consists of unspent contract funds from the City of Buellton for the operations of the Buellton Visitors Bureau. BVB activity for the fiscal year ended June 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Received</u>	<u>Released</u>	<u>Ending Balance</u>
Temporarily restricted net assets:				
Buellton Visitors Bureau				
City of Buellton contract funds	<u>\$ 242,105</u>	<u>\$ 398,489</u>	<u>\$ (335,884)</u>	<u>\$ 304,710</u>

Note 10 - Contingency

In July 2009, BBACC moved its office, including BVB space, to 597 Avenue of Flags, Unit 101, in Buellton. The new office and BVB facility are leased to BBACC by the City of Buellton for \$1,350 per month. The monthly rent is waived if BBACC complies with specific economic development services detailed in the lease addendum, including start dates, and performance standards for each required service. See Note 8 also. A brief description of each economic development service required under the lease addendum follows:

1. Prepare an Action Plan and Draft Budget with annual goals and objectives, including commerce development.
2. Prepare quarterly reports to verify compliance with all tasks required by the lease agreement.
3. Perform a business needs survey in conjunction with BBACC annual membership renewal, and provide results to the City of Buellton.
4. Include updates on State and Federal legislation impacting local businesses in the BBACC member newsletter.
5. Develop a business attraction and retention committee.
6. Actively identify and recruit employers in the region to locate businesses and facilities in Buellton.
7. Distribute an economic development promotional packet to prospective businesses desiring to locate in the City of Buellton.
8. Distribute information on the Small Business Administration loan process to assist local businesses in obtaining loans to enable them to locate, or stay, in Buellton.
9. Assume the leadership role in promoting and organizing events in Buellton.
10. Operate the Buellton Visitors Bureau providing information on local attractions and events to residents and visitors.
11. Actively identify and contact companies providing group activities, such as wine tours, tour companies, and travel agents, to come to Buellton.
12. Develop promotional material and advertising promoting the City of Buellton as a tourist destination, and distribute this information through personal contact, mail, and the Internet.
13. Develop and maintain a web site promoting tourism in Buellton.
14. Participate in appropriate exhibits and fairs that promote Buellton, and attract tourists.

Note 11 - Related Party

One board member is a vendor for the Chamber of Commerce who changes vinyl on billboards. Total amount paid to this vendor was \$1,283, for the fiscal year ended June 30, 2015.