

**BUELLTON BUSINESS ASSOCIATION /  
CHAMBER OF COMMERCE**

**Audited Financial Statements**

**June 30, 2013**

BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE

Table of Contents

	Page
Audited Financial Statements:	
Independent Auditors' Report	1
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis	3
Statement of Revenues, Support, Expenses, and Change in Net Assets - Modified Cash Basis	4
Statement of Functional Expenses for Program and Support Services - Modified Cash Basis	5
Notes to the Financial Statements	6



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## 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 assets, liabilities, and net assets – modified cash basis as of June 30, 2013, the related statements of revenues, support, expenses, and change in net assets – modified cash basis, and functional expenses for program and support services – modified cash basis, 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### *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 assets, liabilities, and net assets of Buellton Business Association / Chamber of Commerce as of June 30, 2013, and its revenue, support, expenses, and change in its net assets for the fiscal year then ended, on the basis of accounting described in Note 1.

*Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Moss, Levy & Hartzheim, LLP*

Santa Maria, California  
October 7, 2013

**BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE**

Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis

June 30, 2013

	Unrestricted Chamber of Commerce	Temporarily Restricted Visitors Bureau	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 85,029	\$ 50,508	\$ 135,537
Deposits	254		254
Total current assets	<u>85,283</u>	<u>50,508</u>	<u>135,791</u>
<b>Fixed assets</b>			
Furniture and equipment	3,617	8,014	11,631
Less: Accumulated depreciation	<u>(1,929)</u>	<u>(3,716)</u>	<u>(5,645)</u>
Net fixed assets	<u>1,688</u>	<u>4,298</u>	<u>5,986</u>
<b>Other assets</b>			
Logo and web site	6,925	12,860	19,785
Less: Accumulated amortization	<u>(1,867)</u>	<u>(5,177)</u>	<u>(7,044)</u>
Net intangible assets	<u>5,058</u>	<u>7,683</u>	<u>12,741</u>
Total assets	<u><u>\$ 92,029</u></u>	<u><u>\$ 62,489</u></u>	<u><u>\$ 154,518</u></u>
<b>Liabilities and net assets</b>			
<b>Current liabilities</b>			
Payroll taxes payable	\$ 222	\$ 1,137	\$ 1,359
Accrued vacation	281	1,595	1,876
Total current liabilities	<u>503</u>	<u>2,732</u>	<u>3,235</u>
Net assets	<u>91,526</u>	<u>59,757</u>	<u>151,283</u>
Total liabilities and net assets	<u><u>\$ 92,029</u></u>	<u><u>\$ 62,489</u></u>	<u><u>\$ 154,518</u></u>

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

**BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE**

Statement of Revenues, Support, Expenses, and Change in Net Assets - Modified Cash Basis  
 Fiscal Year Ended June 30, 2013

	Unrestricted Chamber of Commerce	Temporarily Restricted Visitors Bureau	Total
<b>Revenues:</b>			
City of Buellton contract	\$ -	\$ 145,621	\$ 145,621
County of Santa Barbara contract		2,758	2,758
Membership dues	25,007		25,007
Advertising	3,613		3,613
Billboard rental	4,616		4,616
Special events net of direct costs	28,852		28,852
Interest	3	10	13
Miscellaneous	1,722		1,722
Total revenues	<u>63,813</u>	<u>148,389</u>	<u>212,202</u>
<b>Support:</b>			
Contributions in-kind	15,562	12,951	28,513
Total support	<u>15,562</u>	<u>12,951</u>	<u>28,513</u>
Total support and revenues	79,375	161,340	240,715
<b>Reclassifications:</b>			
Temporarily restricted net assets released from restrictions	139,434	(139,434)	
Total support, revenues, and reclassifications	<u>218,809</u>	<u>21,906</u>	<u>240,715</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Chamber of Commerce	19,457		19,457
Visitors Bureau	139,434		139,434
<b>Support services:</b>			
Management and general	10,762		10,762
Fund raising	15,802		15,802
Total expenses	<u>185,455</u>		<u>185,455</u>
Increase in net assets	33,354	21,906	55,260
Net assets at beginning of fiscal year	58,172	37,851	96,023
Net assets at end of fiscal year	<u>\$ 91,526</u>	<u>\$ 59,757</u>	<u>\$ 151,283</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 - Modified Cash Basis

Fiscal Year Ended June 30, 2013

	Program Services			Support Services		Total Expenses
	Chamber of Commerce	Visitors Bureau	Total	Management and General	Fund Raising	
Salaries and wages	\$ 7,529	\$ 56,878	\$ 64,407	\$ 5,020	\$ 2,510	\$ 71,937
Payroll taxes	584	4,716	5,300	390	195	5,885
Contract labor		6,203	6,203			6,203
Workers' compensation	77	942	1,019	53	26	1,098
Total personnel costs	8,190	68,739	76,929	5,463	2,731	85,123
Advertising		18,229	18,229	1,948		20,177
Accounting	569	3,105	3,674	311	155	4,140
Bank and credit card fees	108	7	115	54	197	366
Billboards		16,000	16,000		1,292	17,292
Conferences and meetings	817	424	1,241			1,241
Corporation filing fees				10		10
Dues and subscriptions	627	527	1,154			1,154
Equipment rental and maintenance	621	4,271	4,892	414	207	5,513
Insurance	621	1,638	2,259	339	169	2,767
Maintenance and repairs	335	1,305	1,640	183	91	1,914
Mileage		263	263			263
Newsletter					13	13
Office supplies and expenses	643	1,489	2,132	351	175	2,658
Payroll service fees	304	1,800	2,104	166	82	2,352
Postage	156	625	781	30	156	967
Property tax		421	421	140		561
Rent	130	711	841	71	36	948
Security	72	306	378	20	10	408
Special events direct costs					62,985	62,985
Sponsorships and donations	932	2,102	3,034			3,034
Telephone and internet	280	1,434	1,714	153	76	1,943
Tradeshaw POW WOW		775	775			775
Total operating expenses	14,405	124,171	138,576	9,653	68,375	216,604
Less: Special events direct costs					(62,985)	(62,985)
Contributions in-kind	4,120	12,951	17,071	1,030	10,412	28,513
Amortization	693	1,286	1,979			1,979
Depreciation	239	1,026	1,265	79		1,344
Total expenses	\$ 19,457	\$ 139,434	\$ 158,891	\$ 10,762	\$ 15,802	\$ 185,455
Percent of total expenses	10.50%	75.18%	85.68%	5.80%	8.52%	100.00%

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, 2013

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### **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, fund raising, 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.

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

#### ***Basis of accounting***

BBACC prepares its financial statements on the cash basis of accounting with modifications for the capitalization of office furniture and equipment, and recording depreciation, payroll taxes payable, and accrued vacation. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred. Accordingly, these financial statements are not intended to report financial position and changes in net assets in conformity with U.S. generally accepted accounting principles.

#### ***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 modified cash basis of accounting includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

**BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

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**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 revenues, support, expenses and change in net assets - modified cash basis, and the statement of functional expenses - modified cash basis. Accordingly, certain management and general costs 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, 2010.

***Cash***

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

***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.

***Payroll liabilities***

Payroll taxes are expensed when payroll is processed, and accrued vacation is expensed when earned. As a result, accruals for these amounts are recorded in the financial statements.

***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 SFAS 116. 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.

***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 revenues, support, expenses and change in net assets - modified cash basis as net assets released from restrictions.

***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, 2013

**Note 1 - Significant Accounting Policies (continued)****Subsequent events**

Subsequent events have been evaluated through October 7, 2013, which is the date the financial statements were available to be issued.

**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, 2013.

**Note 3 - Fixed Assets**

Fixed assets at June 30, 2013, are detailed in the following schedule:

	Beginning Balance	Additions	Disposals	Ending Balance
BBA/Chamber of Commerce:				
Furniture and equipment	\$ 4,273	\$ 769	\$ (1,425)	\$ 3,617
Less: Accumulated depreciation	(3,036)	(318)	1,425	(1,929)
Net fixed assets	<u>1,237</u>	<u>451</u>		<u>1,688</u>
Buellton Visitors Bureau:				
Furniture and equipment	9,014		(1,000)	8,014
Less: Accumulated depreciation	(3,690)	(1,026)	1,000	(3,716)
Net fixed assets	<u>5,324</u>	<u>(1,026)</u>		<u>4,298</u>
Total:				
Furniture and equipment	13,287	769	(2,425)	11,631
Less: Accumulated depreciation	(6,726)	(1,344)	2,425	(5,645)
Net fixed assets	<u>\$ 6,561</u>	<u>\$ (575)</u>	<u>\$ -</u>	<u>\$ 5,986</u>

**Note 4 - Intangible Assets**

Intangible assets at June 30, 2013, 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	(1,174)	(693)		(1,867)
Net intangible assets	<u>5,751</u>	<u>(693)</u>		<u>5,058</u>
Buellton Visitors Bureau:				
Logo and web site	12,860			12,860
Less: Accumulated amortization	(3,891)	(1,286)		(5,177)
Net intangible assets	<u>8,969</u>	<u>(1,286)</u>		<u>7,683</u>
Total:				
Logo and web site	19,785	-		19,785
Less: Accumulated amortization	(5,065)	(1,979)		(7,044)
Net intangible assets	<u>\$ 14,720</u>	<u>\$ (1,979)</u>	<u>\$ -</u>	<u>\$ 12,741</u>

**Note 5 - Concentrations**

The City of Buellton's contract with BBACC for promoting the City of Buellton to tourists and visitors through the BVB, accounts for 60% of total revenues and support for the fiscal year ended June 30, 2013. No other contractor, grantor, contributor, or customer accounted for ten percent or more of total revenues and support.

**BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

**Note 6 - Special Events**

BBACC conducts several special events each fiscal year through the Chamber of Commerce. The Brew Fest was the major fund raising 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	\$ 54,247	\$ 32,249	\$ 21,998
Wine and Chili Festival	24,920	21,811	3,109
State of the City Luncheon	2,060	1,346	714
Installation Luncheon	1,800	1,778	22
Mixers and raffles	4,713	171	4,542
Buellton Bargain Day	85		85
Winter Fest (Breakfast with Santa)	4,012	849	3,163
Parades, awards, expo, ribbon cutting		4,781	(4,781)
Total special events	<u>\$ 91,837</u>	<u>\$ 62,985</u>	<u>\$ 28,852</u>

**Note 7 - Contributions In-kind**

Contributions in-kind for the fiscal year ended June 30, 2013, consisted of office space, professional services, special events facilities and supplies, as detailed below:

	BBACC	BVB	Total
Office space	\$ 4,050	\$ 12,150	\$ 16,200
Accounting services	141	561	702
Special events facilities, food, supplies (Marriott)	8,776		8,776
Special events facilities, food, supplies (other vendors)	1,385		1,385
Web site	960	240	1,200
Materials and gifts	250		250
Total contributions in-kind	<u>\$ 15,562</u>	<u>\$ 12,951</u>	<u>\$ 28,513</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 unit 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, 2013, totaled \$18,453. Future minimum rental payments required under the copier and office space leases are as follows:

Fiscal year ended June 30,	
2014	\$ 18,130
2015	17,988
2016	17,988
2017	17,988
2018	17,988
Thereafter	16,349
Total	<u>\$ 106,431</u>

**BUELLTON BUSINESS ASSOCIATION / CHAMBER OF COMMERCE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

**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, 2013, 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>\$ 37,851</u>	<u>\$ 161,340</u>	<u>\$ (139,434)</u>	<u>\$ 59,757</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 13 - Subsequent Events**

The annual contract with the City of Buellton to fund the BVB is estimated at \$300,000 for the fiscal year ending June 30, 2014.