

BUELLTON VISITORS BUREAU

Audited Financial Statements

June 30, 2014

BUELLTON VISITORS BUREAU

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Buellton Visitors Bureau
597 Avenue of Flags, Unit 101
Buellton, California 93427

We have audited the accompanying financial statements of Buellton Visitors Bureau, a nonprofit program of Buellton Business Association/Chamber of Commerce (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2014, 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 Visitors Bureau, a program of Buellton Business Association/Chamber of Commerce as of June 30, 2014, 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
November 11, 2014

BUELLTON VISITORS BUREAU
Statement of Financial Position
June 30, 2014

	<u>Visitors Bureau</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 151,653
Accounts receivable	<u>66,942</u>
Total current assets	<u>218,595</u>
Fixed assets	
Furniture and equipment	31,550
Less: Accumulated depreciation	<u>(5,368)</u>
Net fixed assets	<u>26,182</u>
Other assets	
Logo and web site	12,860
Less: Accumulated amortization	<u>(6,463)</u>
Net intangible assets	<u>6,397</u>
Total assets	<u><u>\$ 251,174</u></u>
Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 5,258
Accrued wages	2,575
Accrued payroll taxes	<u>1,236</u>
Total current liabilities	9,069
Net assets	
Temporarily restricted - Visitors Bureau	<u>242,105</u>
Total net assets	<u>242,105</u>
Total liabilities and net assets	<u><u>\$ 251,174</u></u>

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

BUELLTON VISITORS BUREAU
Statement of Activities
Fiscal Year Ended June 30, 2014

	<u>Temporarily Restricted Visitors Bureau</u>
Revenues:	
City of Buellton contract	\$ 334,117
County of Santa Barbara contract	<u>2,758</u>
Total revenues	<u>336,875</u>
Support:	
Contributions in-kind	<u>13,356</u>
Total support	<u>13,356</u>
Total revenues and support	350,231
Expenses:	
Program services:	
Visitors Bureau	<u>224,271</u>
Increase in net assets	<u>125,960</u>
Net assets at beginning of fiscal year	59,757
Prior period adjustments	<u>56,388</u>
Net assets at beginning of fiscal year, restated	<u>116,145</u>
Net assets at end of fiscal year	<u><u>\$ 242,105</u></u>

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

BUELLTON VISITORS BUREAU
Statement of Functional Expenses for Program Services
Fiscal Year Ended June 30, 2014

	<u>Visitors Bureau</u>
Salaries and wages	\$ 59,974
Payroll taxes	5,183
Contract labor	6,895
Workers' compensation	493
Total personnel costs	<u>72,545</u>
Advertising	48,044
Accounting	3,214
Bank and credit card fees	10
Billboards	16,000
Conferences and meetings	768
Dues and subscriptions	927
Economic development	28,872
Insurance	1,638
Maintenance and repairs	2,442
Mileage	1,105
Office supplies and expenses	1,315
Payroll service fees	1,800
Postage	1,825
Property tax	432
Rent	3,084
Security	306
Sponsorships and donations	8,730
Telephone and internet	1,482
Tradeshows	11,738
Web site	1,700
Total operating expenses	<u>207,977</u>
Contributions in-kind	13,356
Amortization	1,286
Depreciation	1,652
Total expenses	<u><u>\$ 224,271</u></u>

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

BUELLTON VISITORS BUREAU
 Statement of Cash Flows
 Fiscal Year Ended June 30, 2014

	<u>Temporarily Restricted</u>
Cash flows from operating activities	
Increase in net assets	\$ 125,960
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Amortization	1,286
Depreciation	1,652
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(7,848)
Increase (decrease) in:	
Accounts payable	4,811
Accrued wages	(1,279)
Accrued payroll taxes	99
Net cash provided by operating activities	<u>124,681</u>
Cash flows from investing activities	
Purchases of fixed assets	<u>(23,536)</u>
Net cash used by investing activities	<u>(23,536)</u>
Net Increase in cash and equivalents	101,145
Cash and cash equivalents at beginning of fiscal year	<u>50,508</u>
Cash and cash equivalents at end of fiscal year	<u><u>\$ 151,653</u></u>

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

BUELLTON VISITORS BUREAU

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

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 Visitors Bureau (BVB) is operated by the Buellton Business Association/Chamber of Commerce (BBACC), whose mission is to serve as an advocate and resource for businesses in the City of Buellton, and to promote tourism and economic development through the BVB in the City of Buellton, located in the central coast area of California. The BVB derives its revenues from grants from the City of Buellton and the County of Santa Barbara.

Description of program

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.

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.

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 November 11, 2014, which is the date the financial statements were available to be issued.

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, 2010.

Note 1 - Significant Accounting Policies (continued)

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 all outstanding amounts are typically collected. Trade receivables are written off if all efforts at collection have failed and management determines that collection is unlikely.

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.

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

Contributed services are recorded at fair value 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 BVB'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.

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 BVB cash in banks was insured by the federal depository insurance corporation at June 30, 2014.

BUELLTON VISITORS BUREAU
Notes to the Financial Statements
Fiscal Year Ended June 30, 2014

Note 3 - Fixed Assets

Fixed assets at June 30, 2014, are detailed in the following schedule:

Buellton Visitors Bureau:	Beginning Balance	Additions	Disposals	Ending Balance
Furniture and equipment	\$ 8,014	\$ 23,536	\$ -	\$ 31,550
Less: Accumulated depreciation	(3,716)	(1,652)		(5,368)
Net fixed assets	<u>\$ 4,298</u>	<u>\$ 21,884</u>	<u>\$ -</u>	<u>\$ 26,182</u>

Note 4 - Intangible Assets

Intangible assets at June 30, 2014, are detailed in the following schedule:

Buellton Visitors Bureau:	Beginning Balance	Additions	Disposals	Ending Balance
Logo and web site	\$ 12,860	\$ -	\$ -	\$ 12,860
Less: Accumulated amortization	(5,177)	(1,286)		(6,463)
Net intangible assets	<u>\$ 7,683</u>	<u>\$ (1,286)</u>	<u>\$ -</u>	<u>\$ 6,397</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 87% of total revenues and support for the fiscal year ended June 30, 2014. No other grantor or contractor accounted for ten percent or more of total revenues and support.

Note 6 - Contributions In-kind

Contributions in-kind for the fiscal year ended June 30, 2014, consisted of office space, and professional services as detailed below:

	BVB
Office space	\$ 12,150
Accounting services	1,206
Total contributions in-kind	<u>\$ 13,356</u>

Note 7 - Operating Leases

BVB 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 the BVB and BBACC provide certain economic development services specified by the City of Buellton (see Note 9). Rent expense for the fiscal year ended June 30, 2014, totaled \$19,084, including billboard utilities and maintenance fees. Future minimum rental payments required under the lease agreements are as follows:

Fiscal year ended June 30,	
2015	\$ 18,131
2016	18,131
2017	18,131
2018	18,131
2019	16,361
Total	<u>\$ 88,885</u>

Note 8 - 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, 2014, is as follows:

Temporarily restricted net assets:	<u>Beginning Balance</u>	<u>Received</u>	<u>Released</u>	<u>Ending Balance</u>
Buellton Visitors Bureau				
City of Buellton contract funds	<u>\$ 116,145</u>	<u>\$ 350,231</u>	<u>\$(224,271)</u>	<u>\$ 242,105</u>

See Note 11 for prior period adjustment to temporarily restricted net assets beginning balance.

Note 9 - 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 7 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 10 - Subsequent Events

On July 1, 2014, a new two year contract between the City of Buellton and the BVB began. The BVB is to promote and invite trade and business meetings, celebrations, and conventions to be held in the City of Buellton; to promote, advertise, and provide information regarding City of Buellton facilities, features, culture, and activities to acquaint those outside the City of Buellton with the City of Buellton; increase visitation numbers during periods of low visitation; perform economic development and marketing activities in consultation with the City of Buellton's Economic Development Task Force and City Council. The City of Buellton will provide 20.83% of transient occupancy tax collections to fund the BVB in accomplishing these tasks.

Note 11 - Prior Period Adjustments

During the fiscal year ended June 30, 2014, BBACC changed its basis of accounting from the modified cash basis to the accrual basis of accounting. Accordingly, the following prior period adjustments were required to adjust beginning net assets to accrual basis.

	Temporarily Restricted Net Assets
Net assets at beginning of fiscal year	<u>\$ 59,757</u>
Prior period adjustments:	
Prior accounts receivable	59,094
Prior accounts payable	(447)
Prior accrued wages	<u>(2,259)</u>
Total prior period adjustments	<u>56,388</u>
Net assets at beginning of fiscal year, restated	<u><u>\$ 116,145</u></u>