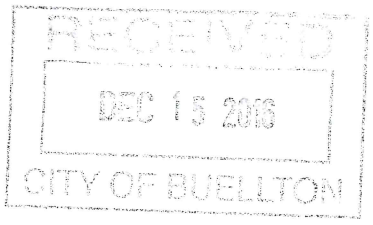
# BUELLTON VISITORS BUREAU

## Audited Financial Statements

## June 30, 2016



**BUELLTON VISITORS BUREAU**

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# INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Buellton Visitors Bureau (part of a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, 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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Buellton Visitors Bureau as of June 30, 2016, 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.

*Lisa J. McGrath, CPA*

Yachats, Oregon
September 8, 2016

**BUELLTON VISITORS BUREAU**
Statement of Financial Position
June 30, 2016

| | Visitors Bureau |
|---|---|
| Assets | |
| Current assets | |
| Cash and cash equivalents | $ 216,786 |
| Accounts receivable | 67,299 |
| Total current assets | 284,085 |
| Fixed assets | |
| Furniture and equipment | 34,792 |
| Less: Accumulated depreciation | (10,459) |
| Net fixed assets | 24,333 |
| Other assets | |
| Logo and web site | 12,860 |
| Less: Accumulated amortization | (9,035) |
| Net intangible assets | 3,825 |
| Total assets | $ 312,243 |
| Liabilities and net assets | |
| Current liabilities | |
| Accounts payable | $ 3,616 |
| Accrued wages | 3,554 |
| Accrued payroll taxes | 1,939 |
| Total current liabilities | 9,109 |
| Net assets | |
| Temporarily restricted - Visitors Bureau | 303,134 |
| Total net assets | 303,134 |
| Total liabilities and net assets | $ 312,243 |

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

**BUELLTON VISITORS BUREAU**
Statement of Activities
Fiscal Year Ended June 30, 2016

| | Temporarily Restricted Visitors Bureau |
|---|---|
| Revenues: | |
| City of Buellton contract | $ 371,488 |
| County of Santa Barbara contract | 2,758 |
| Miscellaneous | 1,911 |
| Total revenues | 376,157 |
| Support: | |
| Contributions in-kind | 13,465 |
| Total support | 13,465 |
| Total revenues and support | 389,622 |
| Expenses: | |
| Program services: | |
| Visitors Bureau | 391,198 |
| Decrease in net assets | (1,576) |
| Net assets at beginning of fiscal year | 304,710 |
| Net assets at end of fiscal year | $ 303,134 |

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, 2016

| | Visitors Bureau |
|---|---|
| Salaries and wages | $ 83,950 |
| Payroll taxes | 6,953 |
| Contract labor | 13,094 |
| Workers' compensation | 560 |
| Total personnel costs | 104,557 |
| Advertising | 150,356 |
| Accounting | 3,442 |
| Bank and credit card fees | 10 |
| Billboards | 17,000 |
| Conferences and meetings | 1,987 |
| Dues and subscriptions | 1,659 |
| Economic development | 25,376 |
| Insurance | 1,674 |
| Maintenance and repairs | 2,228 |
| Mileage | 1,461 |
| Office supplies and expenses | 1,148 |
| Payroll service fees | 1,950 |
| Postage | 1,945 |
| Property tax | 412 |
| Rent | 3,349 |
| Security | 306 |
| Sponsorships and donations | 26,573 |
| Telephone and internet | 1,597 |
| Trade shows | 18,598 |
| Winter Fest | 7,926 |
| Web site | 380 |
| Total operating expenses | 373,934 |
| Contributions in-kind | 13,465 |
| Amortization | 1,286 |
| Depreciation | 2,513 |
| Total expenses | $391,198 |

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

**BUELLTON VISITORS BUREAU**
Statement of Cash Flows
Fiscal Year Ended June 30, 2016

| | Temporarily Restricted |
|---|---|
| Cash flows from operating activities | |
| Increase in net assets | $ (1,576) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Amortization | 1,286 |
| Depreciation | 2,513 |
| Changes in operating assets and liabilities: | |
| (Increase) decrease in: | |
| Accounts receivable | 5,522 |
| Increase (decrease) in: | |
| Accounts payable | (1,877) |
| Accrued wages | 637 |
| Accrued payroll taxes | 1,094 |
| Net cash provided by operating activities | 7,599 |
| Net Increase in cash and equivalents | 7,599 |
| Cash and cash equivalents at beginning of fiscal year | 209,187 |
| Cash and cash equivalents at end of fiscal year | $ 216,786 |

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***
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 September 8, 2016, 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, 2013 and 2012, respectively.

## 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, 2016.

### Note 3 - Fixed Assets

Fixed assets at June 30, 2016, are detailed in the following schedule:

| Buellton Visitors Bureau: | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| Furniture and equipment | $ 34,792 | $ - | $ - | $ 34,792 |
| Less: Accumulated depreciation | (7,947) | (2,512) | | (10,459) |
| Net fixed assets | $ 26,845 | $ (2,512) | $ - | $ 24,333 |

### Note 4 - Intangible Assets

Intangible assets at June 30, 2016, 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 | (7,749) | (1,286) | | (9,035) |
| Net intangible assets | $ 5,111 | $ (1,286) | $ - | $ 3,825 |

### 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 95% of total BVB revenues and support for the fiscal year ended June 30, 2016. No other grantor or contractor accounted for ten percent or more of total revenues and support.

The amount due from the City of Buellton accounted for 96% of total BVB accounts receivable at June 30, 2016. No other contractor, grantor, contributor, or customer accounted for ten percent or more of total accounts receivable.

### Note 6 - Contributions In-kind

BVB contributions in-kind for the fiscal year ended June 30, 2016, consisted of office space, and professional services as detailed below:

| | BVB |
|---|---|
| Office space | $ 12,150 |
| Accounting services | 1,315 |
| Total contributions in-kind | $ 13,465 |

### 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). BVB rent expense for the fiscal year ended June 30, 2016, totaled $20,349, including billboard utilities and maintenance fees. Future minimum rental payments required under the lease agreements are as follows:

| Fiscal year ended June 30, | |
|---|---|
| 2016 | $ 18,131 |
| 2017 | 18,131 |
| 2018 | 16,361 |
| Total | $ 52,623 |

### 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, 2016, is as follows:

| | Beginning Balance | Received | Released | Ending Balance |
|---|---|---|---|---|
| Temporarily restricted net assets: | | | | |
| Buellton Visitors Bureau | | | | |
| City of Buellton contract funds | $ 304,710 | $ 389,622 | $ (391,198) | $ 303,134 |

### 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 June 30, 2016, the two year contract between the City of Buellton and the BVB ended. The BVB promoted and invited trade and business meetings, celebrations, and conventions held in the City of Buellton; promoted, advertised, and provided information regarding City of Buellton facilities, features, culture, and activities to acquaint those outside the City of Buellton with the City of Buellton; increased visitation numbers during periods of low visitation; performed economic development and marketing activities in consultation with the City of Buellton's Economic Development Task Force and City Council. The City of Buellton provided 20.83% of transient occupancy tax collections which funded the BVB to accomplish these tasks.

The subsequent BVB contract with the City of Buellton is currently under negotiations. The new contract is expected to be similar to the 2014-2016 contract described above.