

**CHAMBER OF COMMERCE
OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY**

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**For the Year Ended
June 30, 2011**

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY**

**INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

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Independent Auditors' Report

To the Board of Directors
Chamber of Commerce of San Luis Obispo, Inc.
and Subsidiary
San Luis Obispo, California

We have audited the accompanying consolidated statement of financial position of the Chamber of Commerce of San Luis Obispo, Inc. and Subsidiary, as of June 30, 2011, the related consolidated statements of activities, consolidated statement of changes in net assets, and consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 the Chamber of Commerce of San Luis Obispo, Inc. and Subsidiary as of June 30, 2011 and the changes in net assets and cash flows for the year then ended.

CINDRICH & COMPANY
An Accountancy Corporation

December 6, 2011

CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
June 30, 2011

ASSETS

Current assets:

Cash and equivalents	\$ 432,708
Accounts receivable, less allowance for doubtful accounts of \$5,231	80,812
Merchandise inventory	8,816
Prepaid expenses	<u>8,482</u>
 Total current assets	 <u>530,818</u>

Fixed assets:

Fixed assets - at cost, less accumulated depreciation of \$88,559 (Notes 2 and 3)	<u>46,450</u>
 Total assets	 <u><u>\$ 577,268</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 10,527
Credit cards payable	4,444
Accrued payroll	13,362
Accrued vacation	11,081
Deferred revenue	<u>21,265</u>
 Total current liabilities	 <u>60,679</u>

Net assets:

Unrestricted	<u>516,589</u>
 Total liabilities and net assets	 <u><u>\$ 577,268</u></u>

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

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011**

	Unrestricted
Revenue and support:	
Membership dues	\$ 442,895
Advertising	235,028
Local government revenue (Note 4)	199,900
Programs and special projects	193,690
Management contracts	81,802
Sales - net of \$8,619 cost of goods sold	20,768
Interest income	7,934
Legislative meetings	6,485
Donations	6,275
Gain on sale of fixed assets	4,009
	1,198,786
Total revenue and support	1,198,786
Expenses:	
Salaries	564,540
Programs and special projects	141,210
Publication projects	111,105
Rent	59,406
Retirement plan contribution (Note 6)	55,291
Payroll taxes	50,265
Insurance	50,171
Utilities and telephone	15,946
Office supplies and postage	14,239
Staff expenses	13,862
Depreciation (Notes 2 and 3)	12,170
Computer supplies and service	11,355
Credit card merchant fees	10,926
Internet website	7,848
Professional fees	6,492
Staff development	5,913
Board and committee expenses	5,540
Copy supplies and services	5,268
Miscellaneous	4,392
Janitorial	4,099
Payroll service fee	4,001
Dues and subscriptions	3,450
Automobile expense	2,349
Retirement plan administration fee	2,020
Recruitment	1,428

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

CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011

Repairs and maintenance	1,405
Taxes - franchise tax (Note 2)	800
Taxes - personal property and other	593
Graphics and photo supplies	<u>455</u>
Total expenses	<u>1,166,539</u>
Change in net assets	<u><u>\$ 32,247</u></u>

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

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For The Year Ended June 30, 2011**

	Unrestricted
NET ASSETS - June 30, 2010 (as previously stated)	\$ 501,059
Adjustment to net assets (Note 2)	<u>(16,717)</u>
NET ASSETS - June 30, 2010 (as restated)	484,342
Change in net assets	<u>32,247</u>
NET ASSETS - June 30, 2011	<u><u>\$ 516,589</u></u>

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

CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2011

Cash flows from operating activities:

Change in net assets	<u>\$ 32,247</u>
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Adjustment to reconcile change in net assets to net cash used by operating activities:

Depreciation	12,170
Gain on sale of fixed assets	(4,009)
Adjustment to net assets (Note 2)	(16,717)
Increase in accounts receivable	(80,812)
Increase in prepaid expenses	(8,482)
Increase in merchandise inventory	(8,816)
Increase in accounts payable	10,527
Increase in credit cards payable	4,444
Increase in accrued payroll payable	13,362
Increase in accrued vacation	11,081
Decrease in employee health payable	(200)
Increase in deferred revenue	<u>21,265</u>

Total adjustments	<u>(46,187)</u>
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Net cash used by operating activities	<u>(13,940)</u>
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Cash flows from investing activities:

Purchase of fixed assets	(16,492)
Proceeds from sale of fixed assets	<u>15,000</u>

Net cash used by investing activities	<u>(1,492)</u>
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<i>Net change in cash</i>	(15,432)
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<i>Cash at beginning of year</i>	<u>448,140</u>
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<i>Cash at end of year</i>	<u><u>\$ 432,708</u></u>
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Supplemental information:

Cash paid for income taxes for the year ended June 30, 2011 was \$314.
There was no cash paid for interest for the year ended June 30, 2011.

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

CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1: HISTORY AND ORGANIZATION

The Chamber of Commerce of San Luis Obispo, Inc. ("Chamber") is a California nonprofit public benefit corporation organized to promote the economic, social, civic, and cultural welfare of the San Luis Obispo area. The Chamber is a membership organization, whose two main functions are the promotion of economic development and legislative representation of its members. Its services include promoting tourism, operating a visitor's center, providing relocation information and advice, and employment of a fulltime lobbyist. The Chamber is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c)(6).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements include the accounts of the Chamber of Commerce of San Luis Obispo, Inc. and its wholly owned subsidiary, San Luis Obispo Chamber of Commerce Services, Inc., ("Services") a for profit California Corporation. All material inter-company transactions have been eliminated. Due to the nature of revenue and support received, all of the Chamber's net assets are unrestricted.

Effective July 1, 2010, the Chamber changed its method of accounting from the modified cash to the accrual method and, as of that date, recognizes revenue when earned rather than when cash is received and recognizes expenses when they are incurred rather than when cash is disbursed. The effect of the change at July 1, 2010, in the amount of \$16,717 is included as an adjustment to net assets in the consolidated statement of changes in net assets.

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include cash in checking, savings, and highly liquid investments due to mature within ninety days, held in accounts with financial institutions.

Revenue

The Chamber receives the majority of its revenues from membership dues, advertising fees, management contracts with other agencies, programs and special projects, and service contracts with the City of San Luis Obispo for promotional services.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts. The allowance is estimated at 20% of membership dues receivable, based on the historical relationship between actual bad debts and membership dues receivable. The allowance for doubtful accounts was \$5,231 for the year ended June 30, 2011.

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY**
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Prepaid expenses

Prepaid expenses result from the payment for goods or services that will be received in the following year.

Inventory

Inventory is recorded at cost based on a physical count of merchandise on hand.

Fixed Assets

The Organization follows the practice of capitalizing all expenditures in excess of \$500 for fixed assets at cost; the fair value of donated fixed assets is similarly capitalized. Repairs and maintenance are charged to expense when incurred. Depreciation expense is calculated on the straight-line method over the useful life of the related asset.

Deferred revenue

Deferred revenue results from the collection of revenue earned in the following year. Revenue is recognized during the period in which the related expenses are incurred.

Income Taxes

The Chamber is a not-for-profit organization and is exempt from federal income taxes under Section 501 (c)(6) of the Internal Revenue Code. San Luis Obispo Chamber of Commerce Services is a for profit organization subject to corporate income tax rates and a minimum California franchise tax of \$800 annually.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through December 6, 2011 which is the date the financial statements were available to be issued.

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY**
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3: PROPERTY AND EQUIPMENT

A summary of fixed assets by major classifications at June 30, 2011, is as follows:

Leasehold improvements	\$ 54,292
Computer and software	36,637
Furniture and fixtures	23,971
Office equipment	<u>20,109</u>
 Total property and equipment	 135,009
 Less: accumulated depreciation	 <u>(88,559)</u>
 Net fixed assets	 <u>\$ 46,450</u>

Depreciation for the year ended June 30, 2011 was \$12,170.

NOTE 4: LOCAL GOVERNMENT REVENUE

The city of San Luis Obispo contracted with the Chamber to perform certain visitor and tourism information activities for individuals and organizations interested in the San Luis Obispo area. In exchange for these services the Chamber received \$199,900 for the year ending June 30, 2011.

NOTE 5: MANAGEMENT CONTRACT

The San Luis Obispo Community Leadership Foundation, a 501 (c)(3) organization, contracts with the Chamber to perform management services. In exchange for these services the Chamber was contracted to receive \$50,800 per year by the Leadership Foundation. As of June 30, 2011 \$20,800 has not yet been collected and is included in accounts receivable.

NOTE 6: PROFIT SHARING PLAN

The Chamber sponsors a 401k profit sharing plan. The plan covers all employees over the age of twenty-one who have been employed for one year or more and who have worked a minimum of one thousand hours. The Board of Directors determines the amount to be contributed to the plan at the first meeting of the new fiscal year. Historically, the Chamber has contributed ten percent of the annual compensation for all eligible employees. Employees are fully vested after five years of service. During the year ending June 30, 2011, the Chamber contributed \$55,291 and administration fees amounted to \$2,020 for a total of \$57,311.

CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7: LONG-TERM LEASES

The Chamber leases facilities for its principal offices and Visitor's Center under a long-term lease. The Chamber's lease is for a period of ten years, terminating December 31, 2011. For the year ended June 30, 2011 the rental rate was \$4,850 per month.

This lease has been extended for an additional year commencing January 1, 2012 and ending December 31, 2012 at the current rental rate of \$4,850 per month.

During the year ended June 30, 2011, total office rental expense was \$57,996. Future minimum obligations over the primary terms of the lease as of June 30, 2011 are as follows:

For the year ended:

June 30, 2012	\$ 58,200
June 30, 2013	<u>29,100</u>
Total	<u>\$ 87,300</u>

NOTE 8: CONCENTRATIONS

Approximately 17% of the Chamber's revenue was from the City of San Luis Obispo.

The Chamber's bank accounts may from time to time exceed the Federal Deposit Insurance Corporation limit of \$250,000.

NOTE 9: RELATED PARTY TRANSACTIONS

The Chamber sold a vehicle to the previous executive director. The vehicle was sold for \$15,000 which resulted in a gain on sale of \$4,331.