

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

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**For the Year Ended
June 30, 2010**

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY**
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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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 assets, liabilities, and net assets - modified cash basis of the Chamber of Commerce of San Luis Obispo, Inc. and Subsidiary, as of June 30, 2010, the related consolidated statement of support, revenue, and expenses - modified cash basis, and the consolidated statement of changes in net assets - modified cash basis 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.

As described in Note 1, these consolidated financial statements were prepared on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Chamber of Commerce of San Luis Obispo, Inc. and Subsidiary as of June 30, 2010 and its support, revenue, and expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 1.

CINDRICH & COMPANY
An Accountancy Corporation

January 21, 2011

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF
ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
June 30, 2010

ASSETS

Current assets:

Cash and equivalents	<u>\$ 448,140</u>
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Total current assets	<u>448,140</u>
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Fixed assets:

Fixed assets - at cost, less accumulated depreciation of \$111,632 (Notes 2 and 3)	<u>53,119</u>
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Total assets	<u><u>\$ 501,259</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Employee health	<u>\$ 200</u>
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Total current liabilities	<u>200</u>
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Net assets:

Unrestricted	<u>501,059</u>
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Total liabilities and net assets	<u><u>\$ 501,259</u></u>
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The accompanying notes are an integral part of these financial statements.

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

**CONSOLIDATED STATEMENT OF SUPPORT, REVENUE,
AND EXPENSES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2010

	Unrestricted
Revenue and support:	
Membership dues	\$ 443,214
Programs and special projects	261,473
Advertising	226,577
Local government revenue (Note 4)	216,876
Management contracts	58,717
Sales - net of \$3,573 cost of goods sold	19,226
Interest income	8,294
Legislative meetings	7,331
Donations	5,939
Other income	170
Loss on disposal of fixed assets	<u>(173)</u>
Total revenue and support	<u>1,247,644</u>
Expenses:	
Salaries	578,077
Programs and special projects	160,479
Publication projects	139,353
Rent	60,079
Insurance	51,787
Payroll taxes	50,952
Retirement plan contribution (Note 6)	39,271
Contract labor	18,189
Utilities and telephone	15,285
Staff expenses	14,473
Computer supplies and service	12,948
Internet website	11,794
Depreciation (Notes 2 and 3)	11,625
Office supplies and postage	11,236
Credit card merchant fees	10,612
Board and committee expenses	6,399
Copy supplies and services	6,213
Janitorial	5,158
Professional fees	4,725
Dues and subscriptions	3,748
Payroll service fee	3,410
Retirement plan administration fee	3,100
Staff development	2,629
Repairs and maintenance	2,215

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

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

**CONSOLIDATED STATEMENT OF SUPPORT, REVENUE,
AND EXPENSES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010**

Taxes - property, sales, and other	1,696
Automobile expense	1,309
Meetings expenses	795
Miscellaneous	391
Graphics and photo supplies	<u>255</u>
Total expenses	<u>1,228,203</u>
Change in net assets	<u><u>\$ 19,441</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 - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

	Unrestricted
NET ASSETS - June 30, 2009	\$ 481,618
Change in net assets	<u>19,441</u>
NET ASSETS - June 30, 2010	<u>\$ 501,059</u>

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, 2010**

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. The consolidated financial statements are presented on the modified cash basis. Accordingly, revenues are recognized when received rather than when earned and expenses are recognized when paid, rather than when the obligation is incurred. The modification of the cash basis includes: capitalizing acquisitions of fixed assets, recording depreciation of fixed assets, and generally recording barter/trade transactions. Net assets are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Due to the nature of revenue and support received, all of the Chamber's net assets are unrestricted.

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

Revenues and contributions are recognized when received. 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.

Fixed Assets

The Organization follows the practice of capitalizing all expenditures in excess of \$200 for fixed assets at cost; the fair value of donated fixed assets is similarly capitalized. Repairs and maintenance are charged to expense when paid. Depreciation expense is calculated on the straight-line method over the useful life of the related asset.

CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases

All leases that meet the criteria for capitalization are classified as capital leases. As of year-end there were no such leases. Leases that do not meet such criteria are classified as operating leases and related rentals are charged to expense as paid. (Note 7)

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.

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 January 21, 2011 which is the date the financial statements were available to be issued.

NOTE 3: PROPERTY AND EQUIPMENT

A summary of fixed assets by major classifications at June 30, 2010, is as follows:

Leasehold improvements	\$ 54,828
Computer and software	35,905
Vehicles	29,099
Furniture and fixtures	24,607
Office equipment	16,622
Machinery and equipment	<u>3,690</u>
Total property and equipment	164,751
Less: accumulated depreciation	<u>(111,632)</u>
Net fixed assets	\$ <u>53,119</u>

See accountants' report.

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3: PROPERTY AND EQUIPMENT - CONTINUED

Depreciation for the year ended June 30, 2010 was \$11,625.

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 \$216,876 for the year ending June 30, 2010.

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 \$38,000 per year by the Leadership Foundation. During the year ending June 30, 2010 the Chamber received \$32,000 of this contracted amount, with the balance being resolved in the next fiscal year.

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, 2010, the Chamber contributed \$39,271 and administration fees amounted to \$3,100 for a total of \$42,371.

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. The lease calls for minimum monthly payments of \$4,090 to be adjusted annually on January 1, based on increases in the Consumer Price Index (CPI).

CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 7: LONG-TERM LEASES - CONTINUED

During the year ended June 30, 2010, total rental expense was \$57,434. Future minimum obligations over the primary terms of the lease as of June 30, 2010 are as follows:

For the year ended:

June 30, 2011	\$ 57,996
June 30, 2012	<u>29,100</u>
Total	<u>\$ 87,096</u>

NOTE 8: EMPLOYEE BONUSES

During the year ending June 30, 2010 the Chamber paid bonuses of \$17,661 which were calculated for the year ended June 30, 2009. The bonuses for the year ending June 30, 2010 will be \$27,189 and will be paid in the year ending June 30, 2011.

NOTE 9: 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.