

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

INDEPENDENT AUDITORS' REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended
June 30, 2008

CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Consolidated Statement of Assets, Liabilities and Net Assets – Modified Cash Basis.....	2
Consolidated Statement of Revenue, Expenses and Other Changes in Net Assets – Modified Cash Basis.....	3
Consolidated Schedule of Revenue and Support – Modified Cash Basis.....	4
Consolidated Schedule of Expenses – Modified Cash Basis.....	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	6-8

Independent Auditors' Report

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, 2008, the related consolidated statement of revenue, expenses, and other changes in net assets – modified cash basis and the consolidated schedule of revenue and support and consolidated schedule of expenses 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, 2008 and its revenues, expenses and other changes in net assets for the year then ended, on the basis of accounting described in Note 1.


BURKART & ASSOCIATES
an Accountancy Corporation

January 26, 2009

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY**
CONSOLIDATED STATEMENT OF
ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
For the Year Ended June 30, 2008

	<u>2007</u>
ASSETS	
Current assets	
Cash on hand	\$ 400
Cash and cash equivalents	465,219
Total current assets	465,619
Property and equipment, net (Notes 1 & 2)	72,837
Other assets	
Security deposit	400
Total assets	538,856

	<u>2007</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Employee FSA/health	409
Total liabilities	409
Net assets	
Unrestricted	538,447
Total liabilities and net assets	\$ 538,856

See accountants' audit report and accompanying notes

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO
AND SUBSIDIARY**
**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND OTHER
 CHANGES IN NET ASSETS - MODIFIED CASH BASIS**
 For the Year Ended June 30, 2008

	Unrestricted
<i>Revenue and support</i>	\$ 1,368,680
<i>Expenses</i>	1,242,329
<i>Change in net assets from operations</i>	126,351
<i>Net assets as of beginning of year</i>	412,096
<i>Net assets as of end of year</i>	\$ 538,447

See accountants' audit report and accompanying notes

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO
AND SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF REVENUE AND SUPPORT
MODIFIED CASH BASIS**

For the Year Ended June 30, 2008

Revenue and support

	Unrestricted
Advertising	\$ 265,754
Donations	8,211
Interest	12,053
Local government revenue (Note 3)	130,708
Management contracts (Note 4)	38,600
Membership dues	465,725
Other income	11
Programs and special projects	357,685
Sales	87,666
Gain on sale of assets	2,267
Total revenue and support	\$ 1,368,680

See accountants' audit report and accompanying notes

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO
AND SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF EXPENSES
MODIFIED CASH BASIS**

For the Year Ended June 30, 2008

Expenses

Programs and special projects	\$ 186,357
Publication projects	116,971
Salaries	536,724
Payroll taxes	46,862
Staff expenses	16,294
Staff development	8,450
Pension plan contribution (Note 5)	36,155
Insurance	59,323
Rent	57,569
Automobile expense	2,274
Security	459
Contract labor	45,596
Janitorial	8,340
Utilities and telephone	17,691
Repairs and maintenance	3,169
Computer supplies and service	8,234
Depreciation (Notes 1 and 2)	7,951
Cost of goods sold	5,100
Office supplies and postage	26,911
Professional fees and services	4,150
Graphics and photo supplies	2,588
Dues and subscriptions	2,092
Copy supplies and services	3,708
Taxes - property, sales, and other	3,018
Meeting expense	3,977
Miscellaneous	1,088
Bank and service charges	16,676
Internet website	7,052
Abandoned equipment	7,550
Total expenses	\$ 1,242,329

See accountants' audit report and accompanying notes

CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

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 full-time lobbyist. The Chamber is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(6).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – 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: recording a loan receivable, capitalizing acquisitions of fixed assets, recording depreciation of fixed assets, security deposits 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 – Property and equipment are recorded at cost at date of acquisition or at fair market value when contributed. Depreciation is computed by using the straight-line method over the estimated useful life of the assets. The Chamber's policy is to capitalize fixed asset purchases that are greater than two hundred dollars. (Note 2)

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 incurred (Note 3)

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.
AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

NOTE 2: PROPERTY AND EQUIPMENT

At June 30, 2008 property and equipment consist of the following:

Machinery and equipment	\$ 3,690
Furniture and Fixtures	24,790
Office equipment	19,505
Computer and software	42,712
Vehicles	26,099
Leasehold improvements	52,036
	171,832
Less: Accumulated Depreciation	(98,995)
	\$ 72,837

NOTE 3: 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 \$130,708 for the year ending June 30, 2008.

NOTE 4: 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 is to receive \$38,000 per year. During the year ending June 30, 2008 the Chamber received \$38,600.

AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 5: PENSION PLAN

The Chamber contributes to a defined contribution pension 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. During the year ending June 30, 2008, the Chamber contributed \$33,676 and administration fees amounted to \$2,479 for a total of \$36,155.

NOTE 6: COMMITMENTS

On January 1, 2002 the Chamber entered into a ten-year lease agreement to hire premises for its principal offices and Visitor's Center. 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). Future minimum lease payments excluding CPI increase are as follows:

	<u>Year</u>	<u>Amount</u>
For the year ending June 30,	2009	\$ 51,692
	2010	51,692
	2011	51,692
	Thereafter	25,576
Total		\$ 180,652

NOTE 7: CONCENTRATION OF CREDIT RISK

The Chamber maintains its operating cash, reserve cash, and CD accounts at an institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at this institution exceeded federally insured limits by \$365,202 at June 30, 2008. The \$100,000 limit has been raised through 2009 to \$250,000.