

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

**INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2012**

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.  
AND SUBSIDIARY**  
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012

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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, 2012, 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, 2012 and the changes in net assets and cash flows for the year then ended.

**CINDRICH & COMPANY**  
**An Accountancy Corporation**

August 31, 2012

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.**  
**AND SUBSIDIARY**  
CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION  
June 30, 2012

**ASSETS**

**Current assets:**

Cash and equivalents	\$ 509,472
Accounts receivable, less allowance for doubtful accounts of \$5,401	74,123
Merchandise inventory	7,620
Prepaid expenses	<u>14,093</u>
 Total current assets	 <u>605,308</u>

**Fixed assets:**

Fixed assets - at cost, less accumulated depreciation of \$87,835 (Notes 2 and 3)	<u>41,509</u>
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**Other assets:**

Deposits	<u>814</u>
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Total assets	<u><u>\$ 647,631</u></u>
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**LIABILITIES AND NET ASSETS**

**Current liabilities:**

Accounts payable	\$ 14,270
Employee health payable	5,371
Credit cards payable	5,303
Accrued payroll	42,592
Accrued vacation	17,007
Deferred revenue	<u>35,596</u>
 Total current liabilities	 <u>120,139</u>

**Net assets:**

Unrestricted	<u>527,492</u>
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Total liabilities and net assets	<u><u>\$ 647,631</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 ACTIVITIES  
For The Year Ended June 30, 2012**

	Unrestricted
<b>Revenue and support:</b>	
Membership dues	\$ 471,765
Advertising	247,447
Programs and special projects	212,312
Local government revenue (Note 4)	156,146
Management contracts	55,000
Sales - net of \$6,227 cost of goods sold	17,568
Donations	6,125
Interest income	2,925
	1,169,288
Total revenue and support	1,169,288
<b>Expenses:</b>	
Salaries	585,258
Programs and special projects	119,364
Publication projects	84,608
Rent	59,646
Payroll taxes	52,915
Insurance	46,826
Retirement plan contribution (Note 6)	41,891
Bad debts	25,103
Staff expenses	18,647
Utilities and telephone	14,542
Computer supplies and service	12,093
Professional fees	11,740
Credit card merchant fees	11,065
Office supplies and postage	10,699
Copy supplies and services	8,349
Depreciation (Notes 2 and 3)	8,007
Miscellaneous	7,682
Staff development	7,581
Dues and subscriptions	6,945
Internet website	6,200
Janitorial	4,555
Payroll service fee	4,166
Repairs and maintenance	3,227
Board and committee expenses	2,959

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, 2012**

Retirement plan administration fee	2,100
Contract labor	848
Taxes - franchise tax (Note 2)	800
Taxes - personal property and other	<u>569</u>
Total expenses	<u>1,158,385</u>
Change in net assets	<u><u>\$ 10,903</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, 2012**

	Unrestricted
NET ASSETS - June 30, 2011	\$ 516,589
Change in net assets	<u>10,903</u>
NET ASSETS - June 30, 2012	<u>\$ 527,492</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, 2012**

***Cash flows from operating activities:***

Change in net assets	<u>\$ 10,903</u>
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,007
Decrease in accounts receivable	6,689
Increase in prepaid expenses	(5,611)
Decrease in merchandise inventory	1,196
Increase in accounts payable	3,743
Increase in credit cards payable	859
Increase in accrued payroll payable	29,230
Increase in accrued vacation	5,926
Increase in employee health payable	5,371
Increase in deferred revenue	<u>14,331</u>
Total adjustments	<u>69,741</u>
Net cash provided by operating activities	<u>80,644</u>

***Cash flows from investing activities:***

Purchase of fixed assets	<u>(3,880)</u>
Net cash used by investing activities	<u>(3,880)</u>

<b><i>Net change in cash</i></b>	76,764
<b><i>Cash at beginning of year</i></b>	<u>432,708</u>
<b><i>Cash at end of year</i></b>	<u><u>\$ 509,472</u></u>

***Supplemental information:***

Cash paid for income taxes for the year ended June 30, 2012 was \$800.  
Cash paid for interest for the year ended June 30, 2012 was \$120.

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, 2012

**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.

The Chamber uses the accrual method of accounting, which recognizes revenue when earned and recognizes expenses when they are incurred.

*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 \$5,401 for the year ended June 30, 2012.

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.**  
**AND SUBSIDIARY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**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 August 31, 2012 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, 2012

**NOTE 3: PROPERTY AND EQUIPMENT**

A summary of fixed assets by major classifications at June 30, 2012, is as follows:

Leasehold improvements	\$ 54,292
Computer and software	30,972
Furniture and fixtures	23,971
Office equipment	<u>20,109</u>
 Total property and equipment	 129,344
 Less: accumulated depreciation	 <u>(87,835)</u>
 Net fixed assets	 \$ <u>41,509</u>

Depreciation for the year ended June 30, 2012 was \$8,007.

**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 earned \$156,146 for the year ending June 30, 2012.

**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 \$55,000 per year by the Leadership Foundation. As of June 30, 2012 \$5,000 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 six years of service. During the year ending June 30, 2012, the Chamber contributed \$41,891 and administration fees amounted to \$2,100 for a total of \$43,991.

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.**  
**AND SUBSIDIARY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 7: LONG-TERM LEASES**

The Chamber leases facilities for its principal offices and Visitor's Center under a long-term lease, terminating December 31, 2012. For the year ended June 30, 2012 the rental rate was \$4,850 per month.

A new long-term lease was entered into on July 3, 2012. This lease is for a period of twelve years, commencing on the move in date. Initial base rent is \$7,627 per month, with consumer price index adjustments beginning in the 61<sup>st</sup> month. Work has begun on tenant improvements and the anticipated move in date is February 2013.

During the year ended June 30, 2012, total office rental expense was \$58,200. Future minimum obligations over the primary terms of the leases as of June 30, 2012 are as follows:

For the year ended:

June 30, 2013	\$ 76,935
June 30, 2014	91,524
June 30, 2015	91,524
June 30, 2016	91,524
June 30, 2017	91,524
Thereafter	<u>694,057</u>
Total	\$ <u>1,137,088</u>

**NOTE 8: CONCENTRATIONS**

Approximately 13% 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 has a contract in place with the previous executive director to pay \$12,000 per year for photography services. During the year ended June 30, 2012 the Chamber paid a total of \$12,000 to the previous executive director for these services.