

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

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

For the Year Ended

June 30, 2017

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.**  
**AND SUBSIDIARY**  
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

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694 Santa Rosa Street  
Post Office Box 1423  
San Luis Obispo, California 93406  
Telephone: Facsimile:  
805.543.6876 805.781.2526  
800.549.6876 www.burkartcpa.com

## **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 comparative consolidated financial statements of the Chamber of Commerce of San Luis Obispo, Inc. (a non-profit organization) and Subsidiary, which comprise the comparative consolidated statement of financial position as of June 30, 2017 and 2016, and the related comparative consolidated statements of activities, changes in net assets, and cash flows for the 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Board of Directors  
Chamber of Commerce of San Luis Obispo, Inc. and Subsidiary  
San Luis Obispo, California  
Independent Auditors' Report (continued)**

**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, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

  
**BURKART & STEVENS**  
an Accountancy Corporation

San Luis Obispo, California  
November 15, 2017

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

COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2017

**ASSETS**

**Current assets**

Cash and cash equivalents (Note 2) \$ 488,523  
 Investments (Note 4) 271,711  
 Accounts receivable, less allowance for doubtful accounts of \$ 5,140  
 as of June 30, 2017 and \$ 7,612 as of June 30, 2016 103,001  
 Merchandise inventory 20,675  
 Prepaid expenses 37,926  
 Prepaid income taxes 800

Total current assets 922,636

**Property and equipment (Note 3)**

Property and equipment, net of accumulated depreciation of \$ 136,175  
 as of June 30, 2017 and \$ 111,665 as of June 30, 2016 387,229

**Other assets**

Liquor license 21,010  
 Deposits 7,500

Total assets \$ 1,338,375

	2017	2016
	\$ 488,523	\$ 347,061
	271,711	255,182
	103,001	108,414
	20,675	13,218
	37,926	31,461
	800	800
	922,636	756,136
	387,229	409,455
	21,010	-
	7,500	7,500
	\$ 1,338,375	\$ 1,173,091

**LIABILITIES AND MEMBERS' EQUITY**

**Current liabilities**

Accounts payable \$ 60,218  
 Payroll liabilities 4,756  
 Profit sharing plan payable (Note 7) 37,082  
 Credit cards payable 5,738  
 Accrued commissions 7,996  
 Accrued payroll 47,039  
 Accrued vacation 21,672  
 Deferred revenue 224,942  
 Other accrued expenses 2,410  
 Current portion of long-term debt (Note 3) 9,890

Total current liabilities 421,743

**Long-term liabilities**

Loans and long-term debt obligations (Note 3) 83,476

Total long-term liabilities 83,476

Total liabilities 505,219

**Net assets:**

Unrestricted 833,156

Total liabilities and net assets \$ 1,338,375

	2017	2016
	\$ 60,218	\$ 28,266
	4,756	15,250
	37,082	13,835
	5,738	8,998
	7,996	9,666
	47,039	38,761
	21,672	8,862
	224,942	101,411
	2,410	1,124
	9,890	9,316
	421,743	235,489
	83,476	93,367
	83,476	93,367
	505,219	328,856
	833,156	844,235
	\$ 1,338,375	\$ 1,173,091

See independent auditors' report.  
 The accompanying notes are an integral part of these financial statements.

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

**AND SUBSIDIARY**

COMPARATIVE CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	Unrestricted	
	2017	2016
<b>Revenue and Support</b>		
Membership dues	\$ 505,995	\$ 519,917
Programs and special projects	376,577	342,583
Local government revenue (Note 5)	278,496	258,450
Advertising	265,049	216,177
Management contract (Note 6)	87,000	84,000
Merchandise sales, net of cost of goods sold of \$ 34,794 and \$ 25,993	30,544	36,812
Investment income	6,272	6,894
Interest Income	2,910	690
Other income	-	70
Unrealized gain/(loss) on investments	8,327	(4,549)
Realized loss on investments	-	(433)
Total revenues	1,561,170	1,460,611
<b>Expenses</b>		
Salaries and wages	724,884	594,599
Programs and special projects	178,565	181,254
Publication projects	131,214	112,217
Rent - office (Note 8)	110,411	106,550
Payroll tax	61,144	52,345
Outside services	58,838	78,782
Retirement plan (Note 5)	57,384	31,440
Insurance	42,550	39,891
Staff expenses	37,001	37,314
Depreciation (Note 3)	24,510	25,067
Credit card fees	19,839	16,172
Computer expenses	18,508	17,630
Utilities	9,008	8,741
Office expense	8,863	7,474
Printing	8,738	8,183
Legal and professional fees	8,350	10,225
Bad debt expense	8,099	6,233
Telephone	7,435	8,406
Interest	5,907	6,883
Janitorial	5,845	5,598
Postage	5,818	7,211
Copy supplies and services	5,629	8,060
Payroll service fee	5,560	4,864
Website	5,291	5,518
Dues and subscriptions	5,167	6,687
Property tax	4,605	4,346
Retirement plan administration fee	3,873	4,550
Miscellaneous	3,027	1,461
Thanks and recognition expenses	2,193	2,271
Bank charges	1,019	977
Repairs and maintenance	960	2,052
Taxes	863	356
Board and committee expenses	634	994
Public relations	517	3,786
Total expenses	1,572,249	1,408,137
<b>Change in net assets</b>	<b>\$ (11,079)</b>	<b>\$ 52,474</b>

See independent auditors' report.

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

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.  
AND SUBSIDIARY**  
COMPARATIVE CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS  
For the Year Ended June 30, 2017

	Unrestricted	
	2017	2016
<b>Net assets</b>		
Beginning - July 1, 2016	\$ 844,235	\$ 791,761
Change in net assets	(11,079)	52,474
<b>Ending - June 30, 2017</b>	<b>\$ 833,156</b>	<b>\$ 844,235</b>

See independent auditors' report.  
The accompanying notes are an integral part of these financial statements.

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

COMPARATIVE CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2017

	2017	2016
<b>Cash flows from operating activities:</b>		
(Deficiency)/excess of revenues over expenses	\$ (11,079)	\$ 52,474
Reconciliation of excess of revenues over expenses to cash provided by operating activities:		
Depreciation	24,510	25,067
Unrealized (gain)/loss on investments	(8,327)	4,549
(Increase) decrease in accounts receivable	5,413	9,526
(Increase) decrease in merchandise inventory	(7,457)	(4,170)
(Increase) decrease in prepaid expenses	(6,465)	35,108
(Increase) decrease in prepaid income taxes	-	(800)
(Increase) decrease in liquor license	(21,010)	-
(Decrease) increase in accounts payable	31,952	12,383
(Decrease) increase in payroll liabilities	(10,494)	7,874
(Decrease) increase in profit sharing payable	23,247	(11,433)
(Decrease) increase in credit cards payable	(3,260)	1,860
(Decrease) increase in accrued commissions	(1,670)	(10,402)
(Decrease) increase in accrued payroll	8,278	(16,192)
(Decrease) increase in accrued vacation	12,810	(2,357)
(Decrease) increase in other accrued expenses	1,286	1,124
(Decrease) increase in deferred revenue	123,531	(21,985)
Net cash provided (used) by operating activities	161,265	82,626
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(2,284)	(9,230)
Change in investments	(8,202)	(8,395)
Net cash used by investing activities	(10,486)	(17,625)
<b>Cash flows from financing activities:</b>		
Repayments on notes payable	(9,317)	(18,782)
Net cash used by financing activities	(9,317)	(18,782)
<b>Net increase in cash</b>	<b>141,462</b>	<b>46,219</b>
<b>Cash at beginning of year</b>	<b>347,061</b>	<b>300,842</b>
<b>Cash at end of year</b>	<b>\$ 488,523</b>	<b>\$ 347,061</b>

**Supplemental disclosure (see Note 1 for additional income tax disclosure)**

Income taxes paid for the year ended June 30, 2017:	\$ 800
Interest paid for the year ended June 30, 2017:	\$ 5,845

See independent auditors' report.  
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, 2017

**NOTE 1: 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).

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation* – The consolidated financial statements include the accounts of the Chamber and its wholly owned subsidiary, San Luis Obispo Chamber of Commerce Service, Inc., (Services) a for profit California Corporation. All material intercompany transactions have been eliminated. The financial statements are presented on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the obligation is 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.

*Investments* – The Chamber carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

*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 16% of membership dues receivable at June 30, 2017 and 2016, based on the historical relationship between actual bad debts and membership dues receivable. The allowance for doubtful accounts was \$ 5,140 for the year ended June 30, 2017 and \$ 7,612 for the year ended June 30, 2016..

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

*Fixed Assets* – Property and equipment over \$500 are recorded at cost at the 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. (Note 3)

*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.

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.**  
**AND SUBSIDIARY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*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.

*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 3: PROPERTY AND EQUIPMENT**

At June 30, 2017 and 2016 property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 45,252	\$ 45,252
Office equipment	31,695	31,695
Computer hardware/software	71,829	69,545
Leasehold improvements	<u>374,628</u>	<u>374,628</u>
	523,404	521,120
Less: Accumulated Depreciation	<u>(136,175)</u>	<u>(111,665)</u>
Net property and equipment	<u>\$ 387,229</u>	<u>\$ 409,455</u>

Depreciation expense for the year ended June 30, 2017 was \$ 24,510 and \$ 25,067 for the year ended June 30, 2016.

**NOTE 4: INVESTMENTS**

Investments are reported at fair market value, which is based on quoted market prices at June 30, 2017 and 2016 and are as follows:

	<u>2017</u>	<u>2016</u>
Mutual funds - Bonds	\$ 151,590	\$ 150,453
Mutual funds - Equities	<u>120,121</u>	<u>104,729</u>
Total Investments	<u>\$ 271,711</u>	<u>\$ 255,182</u>

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.**  
**AND SUBSIDIARY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 5: 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 for the San Luis Obispo area. In exchange for these services the Chamber received \$ 278,496 for the year ended June 30, 2017 and \$ 258,450 for the year ended June 30, 2016.

**NOTE 6: 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 \$87,000 per year by the Leadership Foundation.

**NOTE 7: PROFIT SHARING PLAN**

The Chamber sponsors a 401(k) profit sharing plan. The plan covers all employees 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. The Chamber contributed \$ 57,384 for the year ended June 30, 2017 and \$ 31,440 for the year ended June 30, 2016.

**NOTE 8: COMMITMENTS**

**Office lease**

On July 3, 2012 the Chamber entered into an agreement for a period of twelve years. The rental payments commenced February 15, 2013. The lease calls for an initial base rent of \$6,300 per month, with fixed increase adjustments beginning March 1 of each year for the first five years. Common area expenses average an additional \$680 per month. As of June 30, 2017 the base rent per month was \$8,622.

In addition to the base rent, a storage area is rented at a flat rate of \$.50 per square foot, or \$677 per month.

Total rental expense amounted to \$110,411 for the year ended June 30, 2017 and \$ 106,550 for the year ended June 30, 2016. Future minimum lease payments are as follows:

	Year	Amount
For the year ending June 30,	2018	\$ 111,583
	2019	111,583
	2020	111,583
	2021	111,583
	2022	111,583
	Thereafter	<u>223,167</u>
	<b>Total</b>	<b><u>\$ 781,082</u></b>

**CHAMBER OF COMMERCE OF SAN LUIS OBISPO, INC.**  
**AND SUBSIDIARY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 9: LOAN AND LONG-TERM DEBT**

Note payable with Howard E. Carroll Family Trust, with interest at 6.0% per annum, for a loan term of 144 monthly payments of \$1,269. The note is due on February 1, 2025.

Total loans and long-term debt

Less: current portion:

Total long-term debt

2017
\$ 102,683
102,683
(9,316)
\$ 93,367

The following is a schedule of minimum loan payments and maturity of long-term debt:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 9,316
2018	9,890
2019	10,500
2020	11,148
2021	11,835
Thereafter	49,994
Total	<u>\$ 102,683</u>

Interest expense was \$ 6,883 for the year ended June 30, 2016.

**NOTE 10: CONCENTRATIONS**

Approximately 18% 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 11: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 16, 2016, the date which the financial statements were available to be issued, and there are no subsequent events to report.