

VISIT MENDOCINO COUNTY

FINANCIAL STATEMENTS

Year Ended June 30, 2014

VISIT MENDOCINO COUNTY

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JUNE 30, 2014

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Certified Public Accountant
Personal Financial Specialist
Certified Management Accountant

Independent Auditor's Report

Board of Directors
Visit Mendocino County
Mendocino County, CA

I have audited the accompanying financial statements of Visit Mendocino County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visit Mendocino County as of June 30, 2014, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Rick Bowers, CPA
September 30, 2015

VISIT MENDOCINO COUNTY
STATEMENT OF FINANCIAL POSITION
June 30, 2014

ASSETS

Current Assets

Cash	\$ 69,709
Accounts Receivable	51,236
Prepaid Expenses	3,650
Rental Deposit	<u>2,200</u>

Total Current Assets 126,795

Capital Assets

Website Development	70,000
Furniture and Equipment	51,011
Accumulated Depreciation and Amortization	<u>(49,389)</u>

Net Fixed Assets 71,622

TOTAL ASSETS \$ 198,417

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 60,681
Accrued Payroll	14,840
Accrued Payroll Taxes and Benefits	2,896
Sales Tax Payable	<u>560</u>

Total Current Liabilities 78,977

Net Assets

Unrestricted	<u>119,440</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 198,417

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

VISIT MENDOCINO COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

Support and Revenues	
MCLA BID Assessments	\$ 540,000
MCPA Matching Funds	315,000
Advertising Revenue	76,825
Co-Op Advertising	32,242
Other Revenues	90,608
Interest Income	125
	<hr/>
Total Support and Revenue	1,054,800
Expenses:	
Marketing Activities	
Advertising / Media:	
Print and On-Line Banner Advertising	54,407
E-Mail Marketing	36,565
Co-Op Advertising	29,979
Other Advertising Expenses	16,083
Total Advertising / Media	<hr/> 137,034
Public Relations:	
Public Relations Contract	120,000
In-Market PR Stunts	9,628
Visiting Media	12,797
Hosted Media Events	6,348
Travel	9,206
Total Public Relations	<hr/> 157,979
Website Maintenance and Development	42,743
Leisure / Group Sales	43,476
Visitor Services / Fulfillment:	
Visitor Guide Printing and Distribution	66,658
Signage and Visitor Center Information	5,121
Event Coordination and Partnership	46,311
Event Guide Printing and Distribution	19,653
Retail Store	9,792
Other Visitor Services / Fulfillment Expenses	7,777
Total Visitor Services / Fulfillment	<hr/> 155,312
Partnerships	<hr/> 27,606
Total Marketing Activities	564,150

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

VISIT MENDOCINO COUNTY
STATEMENT OF ACTIVITIES - Continued
For The Year Ended June 30, 2014

Administration Expenses	
Salaries & Wages	260,736
Payroll Tax Expense	23,556
Payroll Benefits	29,145
Total Payroll and Benefits	<u>313,437</u>
Bookkeeping	4,025
Contract Work	3,705
Insurance	3,157
Legal and Accounting	3,829
Office and Storage Rent	20,583
Office Expenses	14,796
Telephone / Telecommunications	8,309
Travel	6,623
Utilities	5,702
MCLA Administration Expenses	5,476
MCPA Administration Expenses	4,556
Bad Debt	5,778
Other Expenses	273
Depreciation and Amortization	<u>2,310</u>
Total Administration Expenses	<u>402,559</u>
Total Expenses	<u>966,709</u>
Change in Net Assets	88,091
Net Assets - Beginning	42,085
Prior Period Adjustment	<u>(10,736)</u>
Net Assets - Ending	<u><u>\$ 119,440</u></u>

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

VISIT MENDOCINO COUNTY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2014

Cash Flows From Operating Activities

Change in Net Assets	\$ 88,091
Prior Period Adjustment	(10,736)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:	
Depreciation and Amortization	2,310
(Increase) / Decrease in Accounts Receivable	27,733
(Increase) / Decrease in Other Current Assets	5,450
Increase / (Decrease) in Accounts Payable and Accrued Expenses	<u>9,064</u>
Net Cash Provided by Operating Activities	121,912

**Cash Flows From Capital and Related
Financing Activities**

Acquisition of Capital Assets	<u>(70,000)</u>
Net Increase in Cash	51,912
Cash - Beginning of Year	<u>17,797</u>
Cash - End of Year	<u><u>\$ 69,709</u></u>

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

**VISIT MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1. ORGANIZATION

Visit Mendocino County, Inc. (VMC) is a nonprofit corporation formed in June of 2009 for the primary purpose of contracting with the Mendocino County Lodging Association (MCLA) and the Mendocino County Promotional Alliance (MCPA) to carry out the annual marketing plans as approved by both Boards of Directors, and to provide marketing and administrative services for both organizations relative to the Mendocino County Lodging Business Improvement District contract.

VMC was created as a result of the Mendocino County Travel Research Study. VMC is led by a Board of Directors comprised of ten individuals – five from the MCLA Board and five from the MCPA Board, and is responsible for all aspects of marketing the County. By combining the staff and resources of MCLA and MCPA, VMC creates a comprehensive approach in achieving key programs and activities for the County and its visitor-serving businesses and organizations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Net assets and activities are required to be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as unrestricted, temporarily restricted, or permanently restricted. There are no temporarily or permanently restricted net assets at June 30, 2014.

b. Cash

Cash consist of amounts on hand and deposits in a local financial institution.

c. Capital Assets

Capital assets are reported at historical cost, and depreciated or amortized using the straight line method over the estimated useful lives of the assets. VMC capital assets consists of transfers from MCLA and MCPA at net-book-value, and additional subsequent capital purchases. Costs incurred in website application and infrastructure development stage are capitalized and amortized over a 5 year period.

VISIT MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

d. Revenue and Accounts Receivable

The primary sources of revenue for VMC are the marketing and administrative service contracts with MCLA and MCPA. Accounts receivable are considered to be fully collectible and no allowance for doubtful accounts has been established. Bad debt of \$5,778 has been written off in the current fiscal year.

e. Income Taxes

VMC is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(6), and California Franchise Board taxes under Revenue and Taxation Code Section 23701(e), and therefore has made no provision for federal and state income taxes.

Management has evaluated its tax positions for all open tax years. Currently the 2011, 2012, and 2013 tax years are open and subject to examination by the Internal Revenue Service. However, VMC is not currently under audit nor has the organization been contacted by the Internal Revenue Service or state authorities.

Based on an evaluation of VMC's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the year ended June 30, 2014.

f. Measurement Uncertainty

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.

g. Functional Allocation of Expenses

The costs of providing VMC's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

h. Subsequent Events

Management has evaluated subsequent events through September 30, 2015, which is the date the financial statements were available to be issued. No material events have occurred since June 30, 2014 that would require recognition or disclosure in the financial statements.

VISIT MENDOCINO COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE 3. CAPITAL ASSETS

Following is a summary of changes in capital assets for the fiscal year:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Website Development	\$ --	\$ 70,000		\$ 70,000
Furniture and Equipment	51,011			51,011
Accumulated Depreciation and Amortization	<u>(47,079)</u>	<u>(2,310)</u>	_____	<u>(49,389)</u>
Net Fixed Assets	<u>\$ 3,932</u>			<u>\$ 71,622</u>

NOTE 4. RELATED PARTIES

Total revenue to VMC from the marketing and administrative service contracts with MCLA and MCPA for the fiscal year ended June 30, 2014 were \$855,000. Subsequent year amounts are to be determined on an annual basis. The statement of financial position includes accounts receivable from MCPA of \$35,000. In addition, fixed assets were transferred to VMC from the above organizations at net book value in a prior fiscal year. The original purchase price of these fixed assets was \$46,385.

NOTE 5. OPERATING LEASES

The organization leases two office facilities on a month-to-month tenancy. Total rental expense for the year ended June 30, 2014 for the two offices was \$20,550.

NOTE 6. CONCENTRATIONS IN REVENUE

Contracts with MCLA and MCPA amounted to approximately 81.1% of VMC's total revenue. A significant reduction in the level of support from the above organizations would have an effect on VMC's ability to continue its programs and activities.