

MENDOCINO COUNTY TOURISM COMMISSION, INC.

(DBA VISIT MENDOCINO COUNTY)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2023 AND 2022

VISIT
MEND  CINO
MAGIC IS REAL

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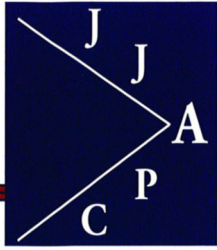
Mendocino County Tourism Commission, Inc.
Financial Statements
For the years ended June 30, 2023 and 2022
Table of Contents

	<u>Page</u>
List of Officials	i
Independent Auditor’s Report	1-2
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5-6
Statement of Cash Flows	7
Notes to Financial Statements	9-16

Mendocino County Tourism Commission, Inc.
Financial Statements
For the years ended June 30, 2023 and 2022
List of Officials

Board Members

- Scott Connolly, Chair
- Brett Schlesinger, Vice Chair
- Christopher “CAB” Boettcher, Secretary
- Kasie Gray, Treasurer
- Makenzie Blaylock
- Elizabeth Cameron
- Raakesh Patel
- Katrina Kessen
- Tawny MacMillan



JJACPA, Inc.

A Professional Accounting Services Corp.

Independent Auditor's Report

Board of Directors
Mendocino County Tourism Commission, Inc.
Ukiah, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Mendocino County Tourism Commission, Inc. (Commission), a California not-for-profit Commission, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Commission as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for within one year after the date that the financial statements are available to be issued.

Board of Directors
Mendocino County Tourism Commission, Inc.
Ukiah, California

Page 2

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Board of Directors
Mendocino County Tourism Commission, Inc.
Ukiah, California

Page 3

Report on Summarized Comparative Information

We have previously audited Mendocino County Tourism Commission 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 14, 2023

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

Mendocino County Tourism Commission, Inc.
Statements of Financial Position
June 30, 2023
(with summarized financial information for June 30, 2022)

ASSETS	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	\$ 1,649,996	1,594,984
Accounts receivable	95,169	599,974
Prepaid expenses	2,158	91,392
Deposits	1,800	1,800
Total current assets	<u>1,749,123</u>	<u>2,288,150</u>
Noncurrent Assets:		
Property and equipment, net	17,985	14,362
Total noncurrent assets	<u>17,985</u>	<u>14,362</u>
Total assets	<u>\$ 1,767,108</u>	<u>\$ 2,302,512</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts and sales tax payable	\$ 94,337	\$ 31,106
Accrued payroll and related liabilities	25,538	27,195
Accrued leave	16,921	13,863
Total current liabilities	<u>136,796</u>	<u>72,164</u>
Total liabilities	<u>136,796</u>	<u>72,164</u>
Net Assets:		
Without donor restrictions:		
Unrestricted	1,630,312	2,230,348
Total net assets	<u>1,630,312</u>	<u>2,230,348</u>
Total liabilities and net assets	<u>\$ 1,767,108</u>	<u>\$ 2,302,512</u>

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

Mendocino County Tourism Commission, Inc.
Statements of Activities
For the year ended June 30, 2023
(with summarized financial information for June 30, 2022)

	Without Donor Restriction	With Donor Restriction	Total	2022
REVENUE, SUPPORT, AND GAINS				
Program service fees				
County BID	855,285	\$ -	\$ 855,285	\$ 1,073,604
County 50% Match	548,101	-	548,101	659,076
County BID adjustments	557	-	557	245,980
NCTC Administrative Fee	12,736	-	12,736	18,842
MCPA	8,155	-	8,155	61,099
Total program service fees	1,424,834	-	1,424,834	2,058,601
Investment income	520	-	520	453
PPP funding	-	-	-	-
Total support and revenue before special events and net position released from restrictions	520	-	520	453
Total revenue, support, and gains	1,425,354	-	1,425,354	2,059,054
EXPENSES AND LOSSES				
Program services expenses				
Programs	1,247,370	-	1,247,370	947,089
Payroll	511,523	-	511,523	373,005
Total program service expenses	1,758,893	-	1,758,893	1,320,094
Supporting services expenses				
Management and general	258,867	-	258,867	133,266
Depreciation	7,630	-	7,630	6,038
Total supporting services expenses	266,497	-	266,497	139,304
Total expenses and losses	2,025,390	-	2,025,390	1,459,398
CHANGE IN NET ASSETS	(600,036)	-	(600,036)	599,656
NET ASSETS - Beginning of year	2,230,348	-	2,230,348	1,630,692
NET ASSETS - End of year	\$ 1,630,312	\$ -	\$ 1,630,312	\$ 2,230,348

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

Mendocino County Tourism Commission, Inc.

Statement of Functional Expenses

For the year ended June 30, 2023

	Program Services	Payroll	Management and General	Total Expenses
Salaries and wages	\$ -	\$ 388,254	\$ -	\$ 388,254
Payroll taxes	-	35,195	-	35,195
Employee benefits	-	35,348	-	35,348
Total personnel costs	-	458,797	-	458,797
Advertising and media	748,220	-	-	748,220
Website maintenance	137,287	-	-	137,287
Public relations	139,689	-	-	139,689
Visitor services/Partnerships	167,978	-	-	167,978
Leisure and group sales	54,196	-	-	54,196
Bank and processing fees	-	1,860	109	1,969
Contracted services	-	49,962	-	49,962
Board Development	-	-	78,194	78,194
Bookkeeping and accounting	-	-	32,134	32,134
Legal fees	-	-	1,722	1,722
Repairs and maintenance	-	-	7,341	7,341
Office supplies and postage	-	-	17,150	17,150
Office and storage rent	-	-	31,829	31,829
Travel	-	-	14,906	14,906
Taxes and Insurance	-	-	3,353	3,353
Telephone and telecommunications	-	-	11,312	11,312
Dues and subscriptions	-	-	49,281	49,281
Utilities	-	-	8,679	8,679
Other office expenses	-	-	2,857	2,857
Total expenses	<u>\$ 1,247,370</u>	<u>\$ 511,523</u>	<u>\$ 258,867</u>	<u>\$ 2,017,760</u>
Percentages	61.82%	25.35%	12.83%	100.00%

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

Mendocino County Tourism Commission, Inc.

Statement of Functional Expenses

For the year ended June 30, 2022

	Program Services	Payroll	Management and General	Total Expenses
Salaries and wages	\$ -	\$ 291,653	\$ -	\$ 291,653
Payroll taxes	-	26,222	-	26,222
Employee benefits	-	22,160	-	22,160
Total personnel costs	-	340,035	-	340,035
Advertising and media	495,559	-	-	495,559
Website maintenance	110,931	-	-	110,931
Public relations	138,646	-	-	138,646
Visitor services/partnerships	181,450	-	-	181,450
Leisure and group sales	20,503	-	-	20,503
Bank and processing fees	-	294	244	538
Contracted services	-	32,676	-	32,676
Board Development	-	-	2,955	2,955
Bookkeeping and accounting	-	-	32,340	32,340
Legal fees	-	-	1,220	1,220
Repairs and maintenance	-	-	4,484	4,484
Office supplies and postage	-	-	14,361	14,361
Office and storage rent	-	-	23,673	23,673
Travel	-	-	11,901	11,901
Taxes and insurance	-	-	2,700	2,700
Telephone and telecommunications	-	-	9,703	9,703
Dues and subscriptions	-	-	21,600	21,600
Utilities	-	-	6,887	6,887
Other office expenses	-	-	1,198	1,198
Total expenses	<u>\$ 947,089</u>	<u>\$ 373,005</u>	<u>\$ 133,266</u>	<u>\$ 1,453,360</u>
Percentages	65.17%	25.67%	9.17%	100.01%

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

Mendocino County Tourism Commission, Inc.
Statements of Cash Flows
For the year ended June 30, 2023
(with summarized financial information for June 30, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from events	\$ -	\$ 705
Other receipts from operations	1,424,834	1,797,125
Payments to employees	(460,454)	(205,917)
Payments to vendors for services and supplies	(898,635)	(1,110,768)
Net cash provided (used) by operating activities	<u>65,745</u>	<u>481,145</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
PPP funding	-	43,290
Acquisition of capital assets	(11,253)	(3,928)
Net cash used by capital and related financing activities	<u>(11,253)</u>	<u>39,362</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	520	453
Net cash used by investing activities	<u>520</u>	<u>453</u>
Net increase (decrease) in cash	<u>55,012</u>	<u>520,960</u>
CASH AND INVESTMENTS:		
Beginning of year	1,594,984	321,601
End of year	<u>\$ 1,649,996</u>	<u>\$ 842,561</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ (600,036)	\$ 599,656
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,630	6,038
Investment income	(520)	(453)
PPP funding	-	(43,290)
Changes in operating assets and liabilities:		
Accounts receivable	504,805	(613,324)
Prepaid expenses	89,234	(11,249)
Deposits	-	2,350
Accounts and sales tax payable	63,231	10,535
Accrued payroll and related liabilities	(1,657)	154
Accrued leave	3,058	23
Net cash provided (used) by operating activities	<u>\$ 65,745</u>	<u>\$ (49,560)</u>
<i>Supplemental disclosures</i>		
Advertising	\$ 748,220	\$ 495,559
Noncash contributions	\$ -	\$ -

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

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Mendocino County Tourism Commission, Inc.
Notes to Financial Statements
For the years ended June 30, 2023 and 2022

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Summary of Commission

The Mendocino County Tourism Commission, Inc., doing business as Visit Mendocino County, Inc., is a non-profit corporation as described in Section 501(c)(6) of the Internal Revenue Code and is exempt from federal and state income taxes. It was formed in June of 2009. In completing its purpose, Mendocino County Tourism Commission, Inc. is led by the Board of Directors comprised of 10 individuals. The Commission is responsible for all aspects of marketing and promoting Mendocino County to visitors and tourists.

Program and Supporting Services

Advertising and media - expenses for a highly targeted media plan focused on niche markets, including radio, digital billboards, online banner ads and print. Total advertising and media expenses were \$495,559 and \$135,828 during the years ended June 30, 2023 and 2022, respectively.

Website maintenance - expenses for redesigned website, increased search engine optimization to drive more traffic to the website, needed software updates.

Public relations - expenses for familiarization tours, media tours and trade shows.

Visitor services/Partnerships - expenses to support local festivals, visitor centers; develop new events; produce event calendar.

Leisure and group sales - expenses for hosting group familiarization tours from other countries and states; travel shows, sales and media missions.

Administrative expenses - expenses related to managing the business improvement district (BID) assessment and transient occupancy tax (TOT) income received from the County of Mendocino which includes board of director's insurance, accounting and legal fees and communication expenses.

Management and General – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Commission's program strategy through the Executive Director; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Commission; and, manage the financial and budgetary responsibilities of the Commission.

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenues and Support and adoption of recent accounting guidance

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09 Revenue from Contracts with Customers. The FASB issued ASU 2016-10 “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing” in April 2016, ASU 2016-11, and ASU 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” in May 2016. These new standards supersede existing revenue recognition guidance and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, Not-for-profit Entities (Topic 958). This amendment is intended to clarify the scope and accounting guidance for contributions received and contributions made and eliminate diversity in practice in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. Distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow clarified guidance in Topic 958, whereas for exchange transactions, an entity should adopt the guidance in Topic 606. The Commission adopted this new guidance for the year ended June 30, 2023.

For the years ended June 30, 2023, the Commission had one contract within the scope of Topic 606. The adoption of this guidance had no material impact on previously reported assets, liabilities or net assets on July 1, 2022. In applying the five-step model contained in the new guidance, the Commission has made significant judgements in identifying the promised goods or services in Commission’s contract that are distinct and which represent separate performance obligations. The Commission identified three performance obligations which include the County Business Improvement District Assessment (BID), County 50% Match and County BID adjustments. The BID revenue is recognized based upon BID assessments. The 50% match calculated based on the prior year’s gross BID receipts from the Mendocino County. The County BID adjustment is based upon a true-up of the County 50% match. over the term of the agreement.

Money from North Coast Tourism Council (NCTC) and Mendocino County Promotional Alliance (MCPA) are considered residual from revenue passthroughs for marketing initiative to the Commission programs.

For the years ended June 30, 2023, the Commission hasn’t received any grants within the scope of Topic 958 (see Note 4). The guidance is required to be applied on a modified prospective basis, to contracts entered into after January 1, 2019 or not completed as of January 1, 2019. Under the new guidance, the grants, which were previously considered to be exchange transactions, are now considered to be contributions.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2023 and 2022

Revenues and Support and adoption of recent accounting guidance, Continued

In-kind contributions

In-kind contributions are reflected as revenue and expensed in the Statement of Activities at their fair market value in the period received. A substantial number of volunteers have donated services to the Commission program services during the year; however, these donated services are not reflected in the financial statements since they do not require specialized skills. The Commission had no In-kind contributions reported for the fiscal year ended June 30, 2023.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Cash, Cash Equivalents, and Restricted Cash

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash and cash equivalents - without donor restriction	\$ 1,649,996	\$ 1,594,984
Total	<u>\$ 1,649,996</u>	<u>\$ 1,594,984</u>

Receivables and Credit Policies

Accounts receivable consist primarily of the TOT and BID income received from the County of Mendocino. The amount is based on actual collections by the County. At June 30, 2023 and 2022, the amounts were \$94,869 and \$599,974, respectively.

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment

Purchased property and equipment are carried at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. It is the policy of the Commission to capitalize property and equipment over \$2,000. Depreciation of property and equipment is calculated using the straight-line cost recovery method based on estimated useful lives.

The Commission reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Recently issued accounting standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The Update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The Update is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Commission is currently evaluating the effect that this Update will have on its financial statements.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2023 and 2022

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

Mendocino County Tourism Commission is organized as a California nonprofit public benefit corporation and has been recognized by the IRS as exempt from federal income taxes as described in IRC Section 501(c)(6) and have been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Commission is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS and a California Exempt Organization Information Return (Form 199) with the State of California.

Functional Allocation of Expenses

Costs of providing the Commission's programs and other activities have been summarized in the Statements of Functional Expenses for the applicable year. During the year, such costs were accumulated into separate accounts as either direct for program services or direct management and administrative costs. Indirect costs were not allocated to the programs and consist of personnel salary and benefits included in the Payroll expenses category in the Statement of Functional Expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Commission.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2023 and 2022

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	Balance as of June 30, 2023	Balance as of June 30, 2022
Cash and cash equivalents	\$ 1,649,996	\$ 1,594,984
Accounts receivable	94,869	599,974
	<u>\$ 1,744,865</u>	<u>\$ 2,194,958</u>

The Commission's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC). The FDIC currently insures the first \$250,000 of the Commission's Cash at each financial institution.

3. PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance Jul 1, 2022	Additions	Retirements	Adjustments	Balance Jun 30, 2023
Furniture and Equipment	\$ 30,059	\$ 11,253	\$ -	\$ -	\$ 41,312
Total cost	30,059	11,253	-	-	41,312
Less: accumulated depreciation	(15,697)	(8,468)	-	838	(23,327)
Net book value	<u>\$ 14,362</u>	<u>\$ 2,785</u>	<u>\$ -</u>	<u>\$ 838</u>	<u>\$ 17,985</u>

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance Jul 1, 2021	Additions	Retirements	Adjustments	Balance Jun 30, 2022
Furniture and Equipment	\$ 24,193	\$ 7,028	\$ (572)	\$ (590)	\$ 30,059
Total cost	24,193	7,028	(572)	(590)	30,059
Less: accumulated depreciation	(10,341)	(6,038)	572	110	(15,697)
Net book value	<u>\$ 13,852</u>	<u>\$ 990</u>	<u>\$ -</u>	<u>\$ (480)</u>	<u>\$ 14,362</u>

There were \$11,253 in additions to property and equipment during the year. Depreciation was \$8,468 and \$6,038 for the fiscal years ended June 30, 2023, and 2022, respectively.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2023 and 2022

4. CONTINGENT LIABILITIES

The Commission's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Commission has no provision for the possible disallowance of program costs on their financial statements.

5. FACILITY LEASES

The organization leases an office facility in Fort Bragg used as storage for \$550 per month and an office facility in Ukiah leased month to month at a rate of \$1,800 per month.

Total rental expense for the years ended June 30, 2023, and 2022 for the two offices were \$31,829 and \$23,673.

6. NET ASSETS

Net assets consist of without donor restrictions. Without donor restrictions amounts reflect balances available for current operations of \$2,230,348.

7. REVENUES

Business Improvement District Assessment (BID)

In 2016, the Commission entered into an agreement with Mendocino County for services, activities and programs for the Business Improvement District to promote tourism. The Mendocino County pays the Commission the amounts based upon BID assessments, penalties and interest, less any allowable administrative audit and enforcement costs.

Additional BID Assessment Revenue

County 50% Match

MCTC receives a 50% match calculated based on the prior year's gross BID receipts from the Mendocino County.

County BID adjustment is based upon a true-up of the County 50% match because of timing of receipts.

Mendocino County Promotional Alliance (MCPA) devolved and passed through their residual funds for a marketing campaign within the Commission's program.

North Coast Tourism Council (NCTC) revenue is considered passthrough revenue for marketing initiatives within the Commission program.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2023 and 2022

7. REVENUES, Continued

The following table summarizes the revenue earned in 2023 and 2022, respectively.

Program service fees	Related organization passthroughs	
	2023	2022
County BID	855,285	1,073,604
County 50% Match	548,101	659,076
County BID adjustments	557	245,980
MCPA Passthroughs	8,155	61,099
NCTC Administration	12,736	18,842.00
	<u>1,424,834</u>	<u>2,058,601</u>

8. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Indirect costs were not allocated to the programs and consist of personnel salary and benefits included in the Payroll expenses category in the Statement of Functional Expenses.

9. CONTINGENCIES

As of June 30, 2023, the Commission did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

10. SUBSEQUENT EVENTS

The COVID-19 pandemic in the United States has caused business disruption and a reduction in the economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Foundation's operations and financial position. The Commission has evaluated subsequent events from their year-end of June 30, 2023, through December 14, 2023, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or additional disclosure within the financial statements.