

VISIT MENDOCINO COUNTY

**AUDITED
FINANCIAL STATEMENTS**

June 30, 2012

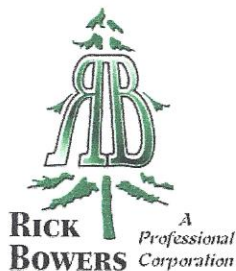
Rick Bowers, CPA, PFS, CMA
A Professional Corporation

VISIT MENDOCINO COUNTY

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Certified Public Accountant
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Certified Management Accountant

Independent Auditor's Report

The Board of Directors
Visit Mendocino County
345 North Franklin St.
Fort Bragg, CA 95437

I have audited the accompanying statement of financial position of Visit Mendocino County (a nonprofit corporation) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Visit Mendocino County's management. 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 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. I believe that my audit provides a reasonable basis for my 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, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read 'Rick Bowers', is written over a horizontal line.

Rick Bowers, CPA
January 9, 2013

VISIT MENDOCINO COUNTY
STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS

Current Assets

Cash	\$ -
Accounts Receivable	79,724
Prepaid Expenses	<u>1,568</u>

Total Current Assets	<u>81,292</u>
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Fixed Assets

Furniture and Equipment	47,361
Accumulated Depreciation	<u>(45,484)</u>

Net Fixed Assets	<u>1,877</u>
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TOTAL ASSETS	<u><u>\$ 83,169</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 30,146
Cash Deficit	7,654
Direct Deposit Liabilities	8,112
Accrued Payroll Taxes	<u>5,049</u>

Total Current Liabilities	50,961
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Net Assets

Unrestricted	<u>32,208</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 83,169</u></u>
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See Independent Auditor's Report and notes to financial statements.

VISIT MENDOCINO COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2012

Support and Revenues

MCLA BID Assessments	\$ 535,000
MCPA Matching Funds	301,895
Trade Show Co-op	26,335
Other Revenues	30,331
Interest Income	44

Total Support and Revenue	<u>893,605</u>
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Expenses:

Marketing Activities

Advertising / Media:

Print and On-Line Banner Advertising	84,644
E-Mail Marketing	22,637
Outdoors	19,477
Radio	31,000
Other Advertising Expenses	13,641
Total Advertising / Media	<u>171,399</u>

Public Relations:

Public Relations Contract	120,000
Clipping Service	3,693
Visiting Media	15,123
Hosted Media Events	11,957
Travel	7,394
Total Public Relations	<u>158,167</u>

Website Maintenance and Development	40,364
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Leisure / Group Sales	57,352
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Visitor Services / Fulfillment:

Visitor Guide Printing and Distribution	36,710
Signage and Visitor Center Information	24,162
Event Coordination and Partnership	47,828
Event Guide Printing and Distribution	31,388
Other Visitor Services / Fulfillment Expenses	976
Total Visitor Services / Fulfillment	<u>141,064</u>

Partnerships	<u>31,293</u>
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Total Marketing Activities	<u>599,639</u>
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See Independent Auditor's Report and notes to financial statements.

VISIT MENDOCINO COUNTY
STATEMENT OF ACTIVITIES - Continued
For The Year Ended June 30, 2012

Administration Expenses

Salaries & Wages	221,886
Payroll Tax Expense	19,947
Payroll Benefits	16,740
Total Payroll and Benefits	<u>258,573</u>
Bookkeeping	3,346
Contract Work	15,632
Insurance	2,684
Legal and Accounting	1,599
Office and Storage Rent	15,534
Office Expenses	10,091
Telephone / Telecommunications	10,497
Travel	7,286
Utilities	4,314
MCLA Administration Expenses	7,634
MCPA Administration Expenses	1,654
Other Expenses	1,127
Depreciation	<u>1,242</u>
Total Administration Expenses	<u>341,213</u>
Total Expenses	<u>940,852</u>
Change in Net Assets	(47,247)
Net Assets - Beginning	<u>79,455</u>
Net Assets - Ending	<u><u>\$ 32,208</u></u>

See Independent Auditor's Report and notes to financial statements.

VISIT MENDOCINO COUNTY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2012

Cash Flows From Operating Activities

Change in Net Assets	\$ (47,247)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:	
Depreciation	1,242
(Increase) / Decrease in Accounts Receivable	30,809
(Increase) / Decrease in Prepaid Expenses	(1,568)
Increase / (Decrease) in Accounts Payable and Accrued Expenses	<u>35,568</u>
Net Cash Provided by Operating Activities	18,804
Cash Deficit - Beginning of Year	<u>(26,458)</u>
Cash Deficit - End of Year	<u><u>\$ (7,654)</u></u>

See Independent Auditor's Report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 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, 2012.

b. Cash

Cash consist of amounts on deposit in a checking account. Checks issued but not presented to the bank for payment may create negative book cash balances. Such cash deficits are recorded as a current liability in the statement of financial position.

c. Fixed Assets

Fixed assets are reported at historical cost, and depreciated using the straight line method over the estimated useful lives of the assets. VMC fixed assets consists of transfers from MCLA and MCPA at net-book-value, and VMC fixed asset purchases.

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.

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.

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.

NOTE 3. FIXED ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and Equipment	\$ 46,385	\$ 976		\$ 47,361
Accumulated Depreciation	(44,242)	(1,242)		(45,484)
Net Fixed Assets	\$ 2,143			\$ 1,568

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, 2012 were \$835,895. Subsequent year amounts are to be determined on an annual basis. The statement of financial position includes accounts receivable from MCLA and MCPA of \$76,895. In addition, fixed assets were transferred to VMC from the above organizations at net book value in a prior year. The original purchase price of these fixed assets was \$46,385.

NOTE 5. CONCENTRATIONS IN REVENUE

Contracts with MCLA and MCPA amounted to approximately 93.7% 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.

NOTE 6. SUBSEQUENT EVENT – LEASE AGREEMENT

VMC entered into a one year operating lease agreement on August 3, 2012. The term of the lease is from August 15, 2012 to August 15, 2013. Base monthly rents amount to \$1,300, plus the cost of utilities. The lease may be extended for one year periods for up to five years. Future minimum rental payments amount to \$13,650 and \$1,950 for the fiscal years ended June 30, 2013 and 2014, respectively.