

MENDOCINO COUNTY TOURISM COMMISSION, INC.

(DBA VISIT MENDOCINO COUNTY)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2021 AND 2020

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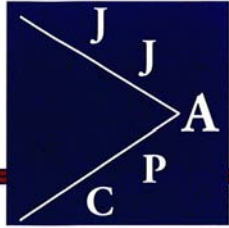
Mendocino County Tourism Commission, Inc.
Financial Statements
For the years ended June 30, 2021 and 2020
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Mendocino County Tourism Commission, Inc.
Financial Statements
For the years ended June 30, 2021 and 2020
List of Officials

Board Members

- Cally Dym - Chair
- Jennifer Seward - Vice Chair
- Scott Connolly – Treasurer
- Bernadette Byrne - Secretary
- Sharon Davis - Director
- Jitu Ishwar - Director
- Raakesh Patel - Director
- Kasie Gray - Director
- Brett Schlesinger - Director
- Elaine Wing-Hillesland



JJACPA, Inc.

A Professional Accounting Services Corp.

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying Statement of Financial Position 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, 2021, and the related statements of activities, functional expenses, 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 opinions 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 from 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
Mendocino County Tourism Commission, Inc.
Ukiah, California

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Mendocino County Tourism Commission, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Mendocino County Tourism Commission 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

February 7, 2022

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

Mendocino County Tourism Commission, Inc.
Statements of Financial Position
June 30, 2021
(with summarized financial information for June 30, 2020)

ASSETS	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 842,225	321,601
Accounts receivable	794,658	181,334
Prepaid expenses	27,831	16,582
Deposits	1,800	4,150
Total current assets	1,666,514	523,667
Noncurrent Assets:		
Property and equipment, net	13,852	14,565
Total noncurrent assets	13,852	14,565
Total assets	\$ 1,680,366	\$ 538,232
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts and sales tax payable	\$ 29,318	\$ 18,783
Accrued payroll and related liabilities	11,258	11,104
Accrued leave	9,098	9,075
Total current liabilities	49,674	38,962
Total liabilities	49,674	38,962
Net Assets:		
Without donor restrictions:		
Unrestricted	1,630,692	499,270
Total net assets	1,630,692	499,270
Total liabilities and net assets	\$ 1,680,366	\$ 538,232

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, 2021
(with summarized financial information for June 30, 2020)

	Without Donor Restriction	With Donor Restriction	Total	2020
REVENUE, SUPPORT, AND GAINS				
Program service fees				
Related organization passthroughs	\$ 1,795,859	\$ -	\$ 1,795,859	\$ 1,227,352
Program revenues	705	-	705	2,700
Total program service fees	1,796,564	-	1,796,564	1,230,052
Investment income	117	-	117	208
PPP funding	43,290	-	43,290	0
Other revenues and gains	1,266	-	1,266	2,300
Total support and revenue before special events and net position released from restrictions	44,673	-	44,673	2,508
Total revenue, support, and gains	1,841,237	-	1,841,237	1,232,560
EXPENSES AND LOSSES				
Program services expenses				
Programs	347,341	-	347,341	722,617
Payroll	212,015	-	212,015	380,817
Total program service expenses	559,356	-	559,356	1,103,434
Supporting services expenses				
Management and general	145,818	-	145,818	122,307
Depreciation	4,641	-	4,641	1,488
Total supporting services expenses	150,459	-	150,459	123,795
Total expenses and losses	709,815	-	709,815	1,227,229
CHANGE IN NET ASSETS	1,131,422	-	1,131,422	5,331
NET ASSETS - Beginning of year	499,270	-	499,270	493,939
NET ASSETS - End of year	\$ 1,630,692	\$ -	\$ 1,630,692	\$ 499,270

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, 2021

	Program Services	Payroll	Management and General	Total Expenses
Salaries and wages	\$ -	\$ 172,836	\$ -	\$ 172,836
Payroll taxes	-	15,919	-	15,919
Employee benefits	-	17,316	-	17,316
Total personnel costs	<u>-</u>	<u>206,071</u>	<u>-</u>	<u>206,071</u>
Advertising and media	135,828	-	-	135,828
Website maintenance	44,143	-	-	44,143
Public relations	107,749	-	-	107,749
Visitor services/Partnerships	55,980	-	-	55,980
Leisure and group sales	3,641	-	-	3,641
Bank and processing fees	-	826	221	1,047
Contracted services	-	5,118	-	5,118
Board Development	-	-	21,294	21,294
Bookkeeping and accounting	-	-	32,220	32,220
Legal fees	-	-	1,896	1,896
Repairs and maintenance	-	-	6,110	6,110
Office supplies and postage	-	-	9,307	9,307
Office and storage rent	-	-	30,430	30,430
Travel	-	-	4,396	4,396
Taxes and Insurance	-	-	2,902	2,902
Telephone and telecommunications	-	-	9,192	9,192
Dues and subscriptions	-	-	18,864	18,864
Utilities	-	-	7,044	7,044
Other office expenses	-	-	1,942	1,942
Total expenses	<u>\$ 347,341</u>	<u>\$ 212,015</u>	<u>\$ 145,818</u>	<u>\$ 705,174</u>
Percentages	49.26%	30.07%	20.68%	100.01%

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, 2020**

	Program Services	Payroll	Management and General	Total Expenses
Salaries and wages	\$ -	\$ 316,550	\$ -	\$ 316,550
Payroll taxes	-	28,956	-	28,956
Employee benefits	-	31,348	-	31,348
Total personnel costs	-	376,854	-	376,854
Advertising and media	308,759	-	-	308,759
Website maintenance	51,245	-	-	51,245
Public relations	217,861	-	-	217,861
Visitor services/partnerships	108,469	-	-	108,469
Leisure and group sales	36,283	-	-	36,283
Bank and processing fees	-	1,300	388	1,688
Contracted services	-	2,663	-	2,663
Board Development	-	-	4,509	4,509
Bookkeeping and accounting	-	-	19,107	19,107
Legal fees	-	-	8,150	8,150
Repairs and maintenance	-	-	4,655	4,655
Office supplies and postage	-	-	6,560	6,560
Office and storage rent	-	-	28,380	28,380
Travel	-	-	11,704	11,704
Taxes and insurance	-	-	1,696	1,696
Telephone and telecommunications	-	-	10,696	10,696
Dues and subscriptions	-	-	12,215	12,215
Utilities	-	-	8,539	8,539
Other office expenses	-	-	4,533	4,533
Total expenses	<u>\$ 722,617</u>	<u>\$ 380,817</u>	<u>\$ 121,132</u>	<u>\$ 1,224,566</u>
Percentages	59.01%	31.10%	9.89%	100.00%

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, 2021****(with summarized financial information for June 30, 2020)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from events	\$ 705	\$ 2,700
Other receipts from operations	1,797,125	1,229,652
Payments to employees	(205,917)	(377,544)
Payments to vendors for services and supplies	(1,110,768)	(752,320)
Net cash provided (used) by operating activities	<u>481,145</u>	<u>102,488</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
PPP funding	43,290	-
Acquisition of capital assets	(3,928)	(2,935)
Net cash used by capital and related financing activities	<u>39,362</u>	<u>(2,935)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	117	208
Net cash used by investing activities	<u>117</u>	<u>208</u>
Net increase (decrease) in cash	<u>520,624</u>	<u>99,761</u>
CASH AND INVESTMENTS:		
Beginning of year	321,601	221,840
End of year	<u>\$ 842,225</u>	<u>\$ 321,601</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 1,131,422	\$ 5,331
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,641	1,488
Investment income	(117)	(208)
PPP funding	(43,290)	-
Changes in operating assets and liabilities:		
Accounts receivable	(613,324)	121,255
Prepaid expenses	(11,249)	(1,541)
Deposits	2,350	18
Accounts and sales tax payable	10,535	(16,326)
Accrued payroll and related liabilities	154	(690)
Accrued leave	23	(6,839)
Net cash provided (used) by operating activities	<u>\$ 481,145</u>	<u>\$ 102,488</u>
<i>Supplemental disclosures</i>		
Advertising	\$ 135,828	\$ 308,759
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, 2021 and 2020

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 \$135,828 and \$308,759 during the years ended June 30, 2021 and 2020, 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.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2021 and 2020

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2020, 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, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents - without donor restriction	\$ 842,225	\$ 321,601
Total	<u>\$ 842,225</u>	<u>\$ 321,601</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, 2021 and 2020, the amounts were \$764,658 and \$181,334, respectively.

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.

We review 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, 2021.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2021 and 2020

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Revenue and Revenue Recognition

Contributions are recognized when a donor makes a promise to give to the Commission, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net position depending on the nature of the restrictions.

Contributed Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Commission. Many individuals volunteer their time and perform a variety of tasks that assist the Commission in providing program services, administration and development, these services do not meet the criteria for recognition as contributed services as defined above.

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.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2021 and 2020

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

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, 2021	Balance as of June 30, 2020
Cash and cash equivalents	\$ 842,225	\$ 321,601
Accounts receivable	794,658	181,334
	<u>\$ 1,636,883</u>	<u>\$ 502,935</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.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2021 and 2020

3. PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance Jul 1, 2020	Additions	Retirements	Adjustments	Balance Jun 30, 2021
Furniture and Equipment	\$ 64,724	\$ 2,486	\$ (448)	\$ (42,569)	\$ 24,193
Total cost	64,724	2,486	(448)	(42,569)	24,193
Less: accumulated depreciation	(50,159)	(4,641)	448	44,011	(10,341)
Net book value	<u>\$ 14,565</u>	<u>\$ (2,155)</u>	<u>\$ -</u>	<u>\$ 1,442</u>	<u>\$ 13,852</u>

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance Jul 1, 2019	Additions	Adjustments/ Retirements	Balance Jun 30, 2020
Furniture and Equipment	\$ 61,789	\$ 2,935	\$ -	\$ 64,724
Total cost	61,789	2,935	-	64,724
Less: accumulated depreciation	(48,671)	(1,488)	-	(50,159)
Net book value	<u>\$ 13,118</u>	<u>\$ 1,447</u>	<u>\$ -</u>	<u>\$ 14,565</u>

There were \$2,489 in additions to property and equipment during the year. Depreciation was \$4,641 and \$1,488 for the fiscal years ended June 30, 2021, and 2020, respectively.

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, 2021 and 2020 for the two offices were \$30,430 and \$28,380.

6. NET ASSETS

Net assets consist of without donor restrictions. Without donor restrictions amounts reflect balances available for current operations of \$1,680,366.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2021 and 2020

7. 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. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

8. CONTINGENCIES

As of June 30, 2021, the Commission did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

9. 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, 2021, through February 7, 2022, 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.