

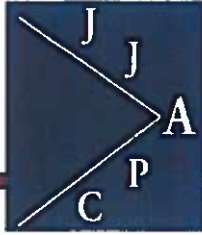
MENDOCINO COUNTY TOURISM COMMISSION, INC.
(DBA VISIT MENDOCINO COUNTY)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017

This page intentionally left blank.

Mendocino County Tourism Commission, Inc.
Financial Statements
For the years ended June 30, 2018 and 2017
Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to Financial Statements	10-17

This page intentionally left blank.



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mendocino County Tourism Commission, Inc.
Fort Bragg, 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 organization, which comprise the Statement of Financial Position as of June 30, 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Commission's June 30, 2017, financial statements in which an unqualified opinion was expressed on those financial statements on November 16, 2017.

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.
Fort Bragg, California

Page 2

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, 2018, 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.

October 3, 2018

JJACPA, Inc.
JJACPA, Inc.
Dublin, California

FINANCIAL STATEMENTS

Mendocino County Tourism Commission, Inc.
Statements of Financial Position
June 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 377,549	\$ 371,432
Accounts receivable	333,683	308,288
Prepaid expenses	7,384	14,432
Deposits	2,836	2,350
Total current assets	<u>721,452</u>	<u>696,502</u>
Noncurrent Assets:		
Property and equipment, net	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u>\$ 721,452</u>	<u>\$ 696,502</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Current Liabilities:		
Accounts and sales tax payable	\$ 91,406	\$ 33,895
Accrued payroll and related liabilities	12,996	9,091
Accrued leave	2,806	440
Total current liabilities	<u>107,208</u>	<u>43,426</u>
Total liabilities	<u>107,208</u>	<u>43,426</u>
Net Position:		
Unrestricted	614,244	653,076
Total net position	<u>614,244</u>	<u>653,076</u>
Total liabilities and net position	<u>\$ 721,452</u>	<u>\$ 696,502</u>

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

Mendocino County Tourism Commission, Inc.

Statements of Activities

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Position		
Unrestricted support:		
Sales	\$ -	\$ 2,123
Program revenues	-	10,350
Related organization passthroughs	1,418,308	1,320,715
Total unrestricted support	<u>1,418,308</u>	<u>1,333,188</u>
Other unrestricted revenues:		
Investment income	128	91
Other	7,179	10,000
Total other unrestricted revenues	<u>7,307</u>	<u>10,091</u>
Total unrestricted revenues and support	<u>1,425,615</u>	<u>1,343,279</u>
Expenses:		
Program services:		
Cost of sales	-	986
Programs	1,078,734	832,561
Payroll	273,225	308,005
Total program expenses	<u>1,351,959</u>	<u>1,141,552</u>
Support services:		
Management and general	112,488	122,560
Depreciation	-	-
Total expenses	<u>1,464,447</u>	<u>1,264,112</u>
Increase (Decrease) in unrestricted net position	<u>(38,832)</u>	<u>79,167</u>
Change in Net Position	<u>(38,832)</u>	<u>79,167</u>
NET POSITION :		
Beginning of year	653,076	573,909
End of year	<u>\$ 614,244</u>	<u>\$ 653,076</u>

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, 2018

	Program Services	Payroll	Management and General	Total Expenses
Salaries and wages	\$ -	\$ 215,945	\$ -	\$ 215,945
Payroll taxes	-	20,052	-	20,052
Employee benefits	-	22,639	-	22,639
Total personnel costs	-	258,636	-	258,636
Advertising and media	483,902	-	-	483,902
Website maintenance	100,955	-	-	100,955
Public relations	273,973	-	-	273,973
Visitor services/Partnerships	123,952	-	-	123,952
Leisure and group sales	95,952	-	-	95,952
Bank and processing fees	-	823	521	1,344
Contracted services	-	10,447	-	10,447
Board Development	-	-	3,418	3,418
Bookkeeping and accounting	-	-	19,402	19,402
Legal fees	-	-	2,133	2,133
Recruitment	-	3,319	-	3,319
Repairs and maintenance	-	-	5,867	5,867
Office supplies and postage	-	-	21,888	21,888
Office and storage rent	-	-	23,400	23,400
Travel	-	-	11,422	11,422
Taxes and Insurance	-	-	2,754	2,754
Telephone and telecommunications	-	-	6,913	6,913
Utilities	-	-	7,820	7,820
Other office expenses	-	-	6,950	6,950
Total expenses	<u>\$ 1,078,734</u>	<u>\$ 273,225</u>	<u>\$ 112,488</u>	<u>\$ 1,464,447</u>
Percentages	73.66%	18.66%	7.68%	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, 2017

	Program Services	Payroll	Management and General	Total Expenses
Salaries and wages	\$ -	\$ 209,656	\$ -	\$ 209,656
Payroll taxes	-	24,248	-	24,248
Employee benefits	-	20,186	-	20,186
Total personnel costs	-	254,090	-	254,090
Advertising and media	366,985	-	-	366,985
Website maintenance	36,450	-	-	36,450
Public relations	289,918	-	-	289,918
Visitor services/Partnerships	98,830	-	-	98,830
Leisure and group sales	40,378	-	-	40,378
Bank and processing fees	-	717	242	959
Contracted services	-	27,430	-	27,430
Board Development	-	-	3,269	3,269
Bookkeeping and accounting	-	-	18,816	18,816
Legal fees	-	-	4,718	4,718
Recruitment	-	25,768	-	25,768
Office supplies and postage	-	-	33,406	33,406
Office and storage rent	-	-	22,300	22,300
Travel	-	-	10,249	10,249
Insurance	-	-	1,767	1,767
Telephone and telecommunications	-	-	8,073	8,073
Utilities	-	-	8,089	8,089
Other office expenses	-	-	11,631	11,631
Total expenses	\$ 832,561	\$ 308,005	\$ 122,560	\$ 1,263,126
Percentages	65.92%	24.38%	9.70%	100.00%

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

Mendocino County Tourism Commission, Inc.
Statements of Cash Flows
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (38,832)	\$ 79,167
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation and amortization	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(25,395)	(44,214)
Prepaid expenses	7,048	(2,405)
Deposits	(486)	-
Accounts payable	57,511	7,033
Accrued payroll and related liabilities	3,905	(4,036)
Accrued leave	2,366	(3,683)
Net cash provided (used) by operating activities	<u>6,117</u>	<u>31,862</u>
Net increase (decrease) in cash	<u>6,117</u>	<u>31,862</u>
CASH AND INVESTMENTS:		
Beginning of year	<u>371,432</u>	<u>339,570</u>
End of year	<u>\$ 377,549</u>	<u>\$ 371,432</u>
PRESENTATION IN STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents	<u>\$ 377,549</u>	<u>\$ 371,432</u>
Total	<u>\$ 377,549</u>	<u>\$ 371,432</u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2018 and 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

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.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred and accordingly reflect all significant receivables, payables, and other liabilities.

A. Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in a checking account with MLCU and a short-term savings account with the Savings bank.

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Commission to concentrations of credit and market risk consist primarily of cash and cash equivalents in MLCU, although amounts held are insured up to \$250,000.

Cash and investments are maintained at high quality financial institutions and credit exposure is limited at any one institution. The Commission has not experienced any losses on its cash and investments.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2018 and 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

B. Donated Assets

Donated marketable securities, classified as restricted cash and investments, and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation utilizing standard indices and valuations for similar items purchased based upon the security or non-cash item.

C. Accounts Receivable

Accounts receivable are stated at unpaid balances with no allowance for doubtful accounts as all amounts are deemed collectible as they are payable through governmental entities.

D. Property and Equipment and Depreciation

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 \$5,000. Depreciation of property and equipment is calculated using the straight-line cost recovery method based on estimated useful lives.

E. Net Assets

These financial statements are presented according to three classes of net position: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Temporarily restricted net assets is made available for specific program services based upon certain time or purpose restrictions. As these restrictions expire, amounts are transferred to unrestricted net assets in the Statement of Activities. The Commission had no temporarily restricted net assets for 2017-2018.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2018 and 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Permanently restricted net position is restricted in perpetuity, with the income expendable to support specific programs. The Commission had no permanently restricted net position for 2017-2018.

F. 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.

Contract revenues make up the primary source of revenue for the Commission. Funds are received from assessments within the Business Improvement District and for administration of MCLA and MCPA.

G. 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.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2018 and 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

H. Income Taxes

The Commission is a California not-for-profit corporation that is exempt from income taxes under Section 501 (c) (6) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is classified by the Internal Revenue Service as other than a private Commission.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

J. Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

K. 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.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2018 and 2017, at fair value were as follows:

	<u>2018</u>	<u>2017</u>
Cash in bank - MLCU	\$ 377,449	\$ 371,332
Savings Bank	-	-
Cash drawer	<u>100</u>	<u>100</u>
Total	<u>\$ 377,549</u>	<u>\$ 371,432</u>

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2018 and 2017

3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of June 30, 2018 and 2017, consisted of all receivables (aged up to greater than 90 days from their due date) with the following categorization:

	2018		2017	
	Total	Percentage	Total	Percentage
Contracts	\$ 333,683	100.0%	\$ 308,288	92.4%
Total	<u>\$ 333,683</u>	<u>100.0%</u>	<u>\$ 308,288</u>	<u>92.4%</u>

Amounts are receivable through contracts and if those contracts are cancelled, the Commission would experience significant revenue loss and program elimination.

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2018 and 2017

4. PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance Jul 1, 2017	Additions	Adjustments/ Retirements	Balance Jun 30, 2018
Furniture and Equipment	\$ 46,385	\$ -	\$ -	\$ 46,385
Total cost	46,385	-	-	46,385
Less: accumulated depreciation	(46,385)	-	-	(46,385)
Net book value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance Jul 1, 2016	Additions	Adjustments/ Retirements	Balance Jun 30, 2017
Furniture and Equipment	\$ 46,385	\$ -	\$ -	\$ 46,385
Total cost	46,385	-	-	46,385
Less: accumulated depreciation	(46,385)	-	-	(46,385)
Net book value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5. ACCOUNTS PAYABLE

Accounts payable at June 30, 2018 and 2017, consisted of amounts with the following concentrations, in which an amount payable to Chase Cardmember Services exceeded 20% for June 30, 2018 and A de Grassi and Chase Cardmember Services for June 30, 2017, of total payables, but all amounts were diluted by amounts payable to other vendors and do not represent a specific concentration with any single vendor:

	2018		2017	
	Total	Percentage	Total	Percentage
A de Grassi	\$ 296	0.3%	\$ 5,243	15.5%
B McGuigan	2,500	2.7%	-	0.0%
B Luce	609	0.7%	700	0.8%
Arts Council of Mendocino County	-	0.0%	3,600	3.9%
R. Strom	256	0.3%	3,820	4.2%
Chase Cardmember Services	6,449	7.1%	11,425	12.5%
Ionic Media Corp.	21,500	23.5%	-	0.0%
Ad Supply, Inc.	13,200	14.4%	-	0.0%
TheorySF	37,500	41.0%	-	0.0%
Coraggio Group	-	0.0%	2,558	7.5%
Sales tax	70	0.1%	173	0.2%
Others	9,026	9.9%	6,376	18.8%
Total	<u>\$ 91,406</u>	100.0%	<u>\$ 33,895</u>	63.4%

Mendocino County Tourism Commission, Inc.
Notes to Financial Statements, Continued
For the years ended June 30, 2018 and 2017

6. FACILITY LEASES

The organization leases two office facilities in Fort Bragg with the lease expiring April 30, 2018 and Ukiah, which is on a month-to-month basis.

Total rental expense for the years ended June 30, 2018 and 2017 for the two offices was \$21,600.

Rental payments under the operating leases were as follows:

Lease Payments			
	Fort Bragg	Ukiah	Total
2017	\$ 16,900	\$ 600	\$ 17,500
2016	21,000	600	21,600

The minimum lease payment schedule for the remaining term of the existing lease agreements are as follows:

Fiscal Year Ending	Fort Bragg	Ukiah	Total
Jun 30,			
2018	\$ 15,000	\$ 600	\$ 15,600
Total	\$ 15,000	\$ 600	\$ 15,600

7. CASH FLOW INFORMATION

The Commission had no income tax expense and there were no non-cash financing transactions.