

VISIT MENDOCINO COUNTY

**AUDITED
FINANCIAL STATEMENTS**

June 30, 2013

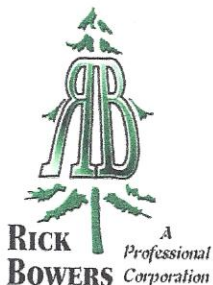
Rick Bowers, CPA, PFS, CMA
A Professional Corporation

VISIT MENDOCINO COUNTY

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RICK BOWERS, CPA, PFS, CMA
A Professional Corporation
730 S. Dora Street
Ukiah, CA 95482

office (707) 468-9210
fax (707) 468-1260
email rbcpacorp@yahoo.com

Certified Public Accountant
Personal Financial Specialist
Certified Management Accountant

Independent Auditor's Report

Board of Directors
Visit Mendocino County
Fort Bragg, CA 95437

Report on Financial Statements

I have audited the accompanying financial statements of Visit Mendocino County (VMC), which comprise the statement of financial position as of June 30, 2013, 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.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Visit Mendocino County as of June 30, 2013, and the respective changes in net position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "Rick Bowers". The signature is fluid and cursive, with the first name "Rick" and last name "Bowers" clearly distinguishable.

Rick Bowers, CPA
March 25, 2014

VISIT MENDOCINO COUNTY
STATEMENT OF FINANCIAL POSITION
June 30, 2013

ASSETS

Current Assets

Cash	\$ 17,797
Accounts Receivable	78,969
Rental Deposit	1,300
Deposit on Website Development	<u>10,000</u>

Total Current Assets 108,066

Fixed Assets

Furniture and Equipment	51,011
Accumulated Depreciation	<u>(47,079)</u>

Net Fixed Assets 3,932

TOTAL ASSETS \$ 111,998

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 51,968
Direct Deposit Liabilities	8,870
Accrued Payroll Taxes	8,654
Sales Tax Payable	<u>421</u>

Total Current Liabilities 69,913

Net Assets

Unrestricted	<u>42,085</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 111,998

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

VISIT MENDOCINO COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2013

Support and Revenues

MCLA BID Assessments	\$ 535,000
MCPA Matching Funds	313,736
Advertising Revenue	72,673
Other Revenues	61,378
Interest Income	45

Total Support and Revenue	<u>982,832</u>
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Expenses:

Marketing Activities

Advertising / Media:

Print and On-Line Banner Advertising	48,149
E-Mail Marketing	23,999
Outdoors	13,170
Radio and TV	30,000
Other Advertising Expenses	14,257
Total Advertising / Media	<u>129,575</u>

Public Relations:

Public Relations Contract	120,000
Clipping Service	3,111
Visiting Media	13,051
Hosted Media Events	29,866
Travel	8,151
Total Public Relations	<u>174,179</u>

Website Maintenance and Development	36,870
Leisure / Group Sales	35,349

Visitor Services / Fulfillment:

Visitor Guide Printing and Distribution	62,555
Signage and Visitor Center Information	11,918
Event Coordination and Partnership	46,885
Event Guide Printing and Distribution	28,303
Retail Store	13,744
Other Visitor Services / Fulfillment Expenses	3,609
Total Visitor Services / Fulfillment	<u>167,014</u>

Partnerships	<u>30,520</u>
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Total Marketing Activities	<u>573,507</u>
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The accompanying notes are an integral part of these financial statements.

VISIT MENDOCINO COUNTY
STATEMENT OF ACTIVITIES - Continued
For The Year Ended June 30, 2013

Administration Expenses

Salaries & Wages	255,333
Payroll Tax Expense	22,826
Payroll Benefits	23,226
Total Payroll and Benefits	<u>301,385</u>

Bookkeeping	4,134
Contract Work	9,830
Insurance	2,762
Legal and Accounting	4,498
Office and Storage Rent	21,714
Office Expenses	17,041
Telephone / Telecommunications	11,713
Travel	7,405
Utilities	5,203
MCLA Administration Expenses	7,326
MCPA Administration Expenses	4,271
Other Expenses	571
Depreciation	<u>1,595</u>

Total Administration Expenses	<u>399,448</u>
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Total Expenses	<u>972,955</u>
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Change in Net Assets	9,877
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Net Assets - Beginning	<u>32,208</u>
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Net Assets - Ending	<u><u>\$ 42,085</u></u>
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The accompanying notes are an integral part of these financial statements.

VISIT MENDOCINO COUNTY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2013

Cash Flows From Operating Activities

Change in Net Assets	\$ 9,877
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:	
Depreciation	1,595
(Increase) / Decrease in Accounts Receivable	755
(Increase) / Decrease in Other Current Assets	(9,732)
Increase / (Decrease) in Accounts Payable and Accrued Expenses	<u>18,952</u>
Net Cash Provided by Operating Activities	21,447

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

Acquisition of Fixed Assets	<u>(3,650)</u>
Net Increase in Cash	17,797
Cash - Beginning of Year	<u>0</u>
Cash - End of Year	<u><u>\$ 17,797</u></u>

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2013**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, 2013.

b. Cash

Cash consist of amounts on deposit in a checking account.

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 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Furniture and Equipment	\$ 47,361	\$ 3,650		\$ 51,011
Accumulated Depreciation	<u>(45,484)</u>	<u>(1,595)</u>		<u>(47,079)</u>
Net Fixed Assets	\$ <u>1,568</u>			\$ <u>3,932</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, 2013 were \$848,736. Subsequent year amounts are to be determined on an annual basis. The statement of financial position includes accounts receivable from MCLA and MCPA of \$76,969. 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. EMPLOYMENT AGREEMENT

As of July 1, 2013, the organizations had entered into a two year employment agreement with the president and CEO of the organization. Under this agreement, in the event employment is terminated (other than voluntarily by the CEO, or by the organization for cause or upon the death of the CEO), the organization is committed to pay certain benefits, including specified monthly severance, or their value equivalent to one month for each year or partial year of his employment with VMC, in addition to each year of contract work with the Mendocino County Lodging Association. The contract shall be automatically renewed at the end of each term for the same two year period. Salary and other compensation to be negotiated at time of renewal.

NOTE 6. OPERATING LEASES

The organization leases two office facilities for one-year terms that convert to month-to-month tenancy when not in effect, and provide for renewal options of additional one-year terms. The future minimum rental payments required under the operating lease agreements at June 30, 2013 were \$4,400.

NOTE 7. CONCENTRATIONS IN REVENUE

Contracts with MCLA and MCPA amounted to approximately 86.4% 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.