

**MENDOCINO COUNTY TOURISM COMMISSION, INC.**

**(DBA VISIT MENDOCINO COUNTY)**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**JUNE 30, 2017 AND 2016**

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**Mendocino County Tourism Commission, Inc.**  
**Financial Statements**  
**For the years ended June 30, 2017 and 2016**  
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JJACPA, Inc.

A Professional Accounting Services Corp.

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## 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, 2017, 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, 2016, financial statements in which an unqualified opinion was expressed on those financial statements on September 26, 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

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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, 2017, 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.

November 16, 2017

*JJACPA, Inc.*  
**JJACPA, Inc.**  
**Dublin, California**

## **FINANCIAL STATEMENTS**

**Mendocino County Tourism Commission, Inc.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

ASSETS	<u>2017</u>	<u>2016</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 371,432	\$ 339,570
Accounts receivable	308,288	264,074
Prepaid expenses	14,432	12,027
Deposits	2,350	2,350
<b>Total current assets</b>	<u>696,502</u>	<u>618,021</u>
<b>Noncurrent Assets:</b>		
Property and equipment, net	-	-
<b>Total noncurrent assets</b>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 696,502</u>	<u>\$ 618,021</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities:</b>		
Current Liabilities:		
Accounts and sales tax payable	\$ 33,895	\$ 26,862
Accrued payroll and related liabilities	9,091	13,127
Accrued leave	440	4,123
<b>Total current liabilities</b>	<u>43,426</u>	<u>44,112</u>
<b>Total liabilities</b>	<u>43,426</u>	<u>44,112</u>
<b>Net Assets (Deficit):</b>		
Unrestricted	653,076	573,909
<b>Total net assets (deficit)</b>	<u>653,076</u>	<u>573,909</u>
<b>Total liabilities and net assets</b>	<u>\$ 696,502</u>	<u>\$ 618,021</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Changes in Unrestricted Net Position</b>		
<b>Unrestricted support:</b>		
Sales	\$ 2,123	\$ 3,901
Program revenues	10,350	359,721
Related organization passthroughs	1,320,715	1,284,439
Total unrestricted support	<u>1,333,188</u>	<u>1,648,061</u>
<b>Other unrestricted revenues:</b>		
Investment income	91	68
Other	10,000	-
Total other unrestricted revenues	<u>10,091</u>	<u>68</u>
<b>Total unrestricted revenues and support</b>	<u>1,343,279</u>	<u>1,648,129</u>
<b>Expenses:</b>		
Program services:		
Cost of sales	986	10,822
Programs	832,561	689,441
Payroll	308,005	356,647
Total program expenses	<u>1,141,552</u>	<u>1,056,910</u>
Support services:		
Management and general	122,560	88,749
Depreciation	-	35
<b>Total expenses</b>	<u>1,264,112</u>	<u>1,145,694</u>
<b>Increase (Decrease) in unrestricted net position</b>	<u>79,167</u>	<u>502,435</u>
<b>Change in Net Position</b>	<u>79,167</u>	<u>502,435</u>
<b>NET POSITION (DEFICIT):</b>		
Beginning of year	573,909	71,474
End of year	<u>\$ 653,076</u>	<u>\$ 573,909</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, 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
MCPA Administrative expenses	-	-	-	-
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
Bad debt expense	-	-	-	-
Recruitment	-	25,768	-	25,768
MCLA Administrative expenses	-	-	-	-
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	<u>\$ 832,561</u>	<u>\$ 308,005</u>	<u>\$ 122,560</u>	<u>\$ 1,263,126</u>
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.**

**Statement of Functional Expenses**

**For the year ended June 30, 2016**

	Program Services	Payroll	Management and General	Total Expenses
Salaries and wages	\$ -	\$ 225,822	\$ -	\$ 225,822
Payroll taxes	-	20,819	-	20,819
Employee benefits	-	23,019	-	23,019
Total personnel costs	-	269,660	-	269,660
Advertising and media	246,262	-	-	246,262
Website maintenance	63,880	-	-	63,880
Public relations	198,571	-	-	198,571
Visitor services/Partnerships	122,598	-	-	122,598
MCPA Administrative expenses	1,228	-	-	1,228
Leisure and group sales	53,612	-	-	53,612
Bank and processing fees	-	697	20	717
Contracted services	-	69,624	-	69,624
Board Development	-	-	8,316	8,316
Bookkeeping and accounting	-	-	8,461	8,461
Legal fees	-	-	3,623	3,623
Bad debt expense	-	-	385	385
Recruitment	-	16,666	-	16,666
MCLA Administrative expenses	3,290	-	-	3,290
Office supplies and postage	-	-	14,844	14,844
Office and storage rent	-	-	21,600	21,600
Travel	-	-	5,673	5,673
Insurance	-	-	1,952	1,952
Telephone and telecommunications	-	-	12,453	12,453
Utilities	-	-	5,008	5,008
Other office expenses	-	-	6,414	6,414
Total expenses	<u>\$ 689,441</u>	<u>\$ 356,647</u>	<u>\$ 88,749</u>	<u>\$ 1,134,837</u>
Percentages	60.75%	31.43%	7.82%	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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 79,167	\$ 502,435
<b>Adjustments to reconcile change in net position to net cash provided by operating activities:</b>		
Depreciation and amortization	-	35
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(44,214)	(209,731)
Prepaid expenses	(2,405)	(8,272)
Deposits	-	(2,350)
Accounts payable	7,033	(25,631)
Accrued payroll and related liabilities	(4,036)	(2,390)
Accrued leave	(3,683)	4,123
<b>Net cash provided (used) by operating activities</b>	<u>31,862</u>	<u>258,219</u>
<b>Net increase (decrease) in cash</b>	<u>31,862</u>	<u>258,219</u>
<b>CASH AND INVESTMENTS:</b>		
Beginning of year	<u>339,570</u>	<u>81,351</u>
End of year	<u>\$ 371,432</u>	<u>\$ 339,570</u>
<b>PRESENTATION IN STATEMENT OF FINANCIAL POSITION:</b>		
Cash and cash equivalents	<u>\$ 371,432</u>	<u>\$ 339,570</u>
<b>Total</b>	<u>\$ 371,432</u>	<u>\$ 339,570</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**  
**For the years ended June 30, 2017 and 2016**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Mendocino County Tourism Commission, Inc., formerly known 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 for the specific and primary purpose of contracting with the Mendocino County Lodging Association (MCLA) and the Mendocino County Promotional Alliance (MCPA) to provide marketing and administrative services for both organizations relative to the Mendocino County Lodging Business Improvement District contract. In completing its purpose, Mendocino County Tourism Commission, Inc. is led by the Board of Directors comprised of eleven individuals - five from MCLA and six from MCPA. The organization 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.

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.

MCPA Administrative expenses - Expenses related to managing the 50% BID matching income received from the County of Mendocino.

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

MCLA Administrative expenses - Expenses related to managing the BID assessment income received from the County of Mendocino which includes board of directors insurance, accounting and legal fees and communication expenses.

**Mendocino County Tourism Commission, Inc.**  
**Notes to Financial Statements, Continued**  
**For the years ended June 30, 2017 and 2016**

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**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, 2017 and 2016**

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**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 2016-2017.



**Mendocino County Tourism Commission, Inc.**  
**Notes to Financial Statements, Continued**  
**For the years ended June 30, 2017 and 2016**

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**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 2016-2017.

***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, 2017 and 2016**

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**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, 2017 and 2016, at fair value were as follows:

	<u>2017</u>	<u>2016</u>
Cash in bank - MLCU	\$ 371,332	\$ 339,388
Savings Bank	-	82
Cash drawer	<u>100</u>	<u>100</u>
Total	<u>\$ 371,432</u>	<u>\$ 339,570</u>

**Mendocino County Tourism Commission, Inc.**  
**Notes to Financial Statements, Continued**  
**For the years ended June 30, 2017 and 2016**

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**3. ACCOUNTS RECEIVABLE**

Accounts receivable balances as of June 30, 2017 and 2016, consisted of all receivables (aged up to greater than 90 days from their due date) with the following categorization:

	2017		2015	
	Total	Percentage	Total	Percentage
Contracts	\$ 308,288	100.0%	\$ 264,074	100.0%
Total	<u>\$ 308,288</u>	<u>100.0%</u>	<u>\$ 264,074</u>	<u>100.0%</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, 2017 and 2016**

**4. PROPERTY AND EQUIPMENT**

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>

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance Jul 1, 2015	Additions	Adjustments/ Retirements	Balance Jun 30, 2016
Furniture and Equipment	\$ 46,385	\$ -	\$ -	\$ 46,385
Total cost	46,385	-	-	46,385
Less: accumulated depreciation	(46,350)	(35)	-	(46,385)
Net book value	<u>\$ 35</u>	<u>\$ (35)</u>	<u>\$ -</u>	<u>\$ -</u>

**5. ACCOUNTS PAYABLE**

Accounts payable at June 30, 2017 and 2016, consisted of amounts with the following concentrations, in which an amount payable to Chase Cardmember Services exceeded 20% for June 30, 2017 and A de Grassi and Chase Cardmember Services for June 30, 2016, 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:

	2017		2016	
	Total	Percentage	Total	Percentage
A de Grassi	\$ 5,243	15.5%	\$ 6,913	25.7%
B McGuigan	-	0.0%	3,000	11.2%
B Luce	700	2.1%	1,181	4.4%
Arts Council of Mendocino County	3,600	10.6%	-	0.0%
R. Strom	3,820	11.3%	-	0.0%
Chase Cardmember Services	11,425	33.7%	7,008	26.1%
Visit California	-	0.0%	5,060	18.8%
Coraggio Group	2,558	7.5%	-	0.0%
Sales tax	173	0.5%	315	1.2%
Others	6,376	18.8%	3,385	12.6%
Total	<u>\$ 33,895</u>	100.0%	<u>\$ 26,862</u>	100.0%

**Mendocino County Tourism Commission, Inc.**  
**Notes to Financial Statements, Continued**  
**For the years ended June 30, 2017 and 2016**

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**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, 2017 and 2016 for the two offices was \$21,600.

Rental payments under the operating leases were as follows:

<b>Lease Payments</b>				
	<b>Fort Bragg</b>	<b>Ukiah</b>	<b>Total</b>	
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:

<b>Fiscal Year Ending</b>	<b>Fort Bragg</b>	<b>Ukiah</b>	<b>Total</b>
<b>Jun 30,</b>			
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.