

**SANTA MARIA VALLEY CHAMBER OF COMMERCE**

**COMBINED FINANCIAL STATEMENTS**

**June 30, 2020**

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**SANTA MARIA VALLEY CHAMBER OF COMMERCE**  
**TABLE OF CONTENTS**  
**June 30, 2020**

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Independent Auditors' Report.....	1
Combined Statement of Assets, Liabilities, and Net Assets .....	3
Combined Statement of Support, Revenues, and Expenses .....	4
Combined Statement of Functional Expenses.....	5
Combined Statement of Cash Flows .....	6
Notes to the Combined Financial Statements.....	7



Moss, Levy & Hartzheim LLP

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Santa Maria Valley Chamber of Commerce  
Santa Maria, California

We have audited the accompanying financial statements of the Santa Maria Valley Chamber of Commerce (a nonprofit organization) and its Affiliate, which comprise the combined statement of assets, liabilities & net assets-modified accrual basis as of June 30, 2020, and the related combined statements of support, revenues & expenses-modified accrual basis, functional expenses-modified accrual basis, and cash flows-modified accrual basis for the fiscal 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 the modified accrual basis of accounting as described in Note 2; this includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

### Auditors' Responsibility

Our responsibility is to express an opinion 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.

### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Santa Maria Valley Chamber of Commerce and its Affiliate as of June 30, 2020, and the results of its support, revenues, and expenses for the fiscal year ended on the basis of accounting as described in Note 2.

### Emphasis of Matter

As more fully described in Note 9 to the financial statements, the Organization may be materially impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020.

**Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Moss, Renz & Hartgen LLP*

Santa Maria, California  
December 21, 2020

**SANTA MARIA VALLEY CHAMBER OF COMMERCE**  
**COMBINED STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS-**  
**MODIFIED ACCRUAL BASIS**  
**June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash on hand	\$ 250	\$ -	\$ 250
Cash in banks	361,149	171,666	532,815
Accounts receivable	19,436	900	20,336
Inventory	4,665		4,665
Prepaid expenses	8,431		8,431
	<u>393,931</u>	<u>172,566</u>	<u>566,497</u>
Total current assets			
Fixed Assets:			
Land, buildings, and equipment	159,880		159,880
Less accumulated depreciation	(137,253)		(137,253)
	<u>22,627</u>		<u>22,627</u>
Total fixed assets			
	<u>\$ 416,558</u>	<u>\$ 172,566</u>	<u>\$ 589,124</u>
Total assets			
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 20,888	\$ 732	\$ 21,620
Accrued payroll	248		248
Deferred revenue	23,160		23,160
	<u>44,296</u>	<u>732</u>	<u>45,028</u>
Total current liabilities			
Long-term liabilities			
Economic injury disaster loan	149,900		149,900
Compensated absences	27,618		27,618
	<u>177,518</u>		<u>177,518</u>
Total long-term liabilities			
	<u>221,814</u>	<u>732</u>	<u>222,546</u>
Total liabilities			
<b>NET ASSETS</b>			
Without donor restrictions	194,744		194,744
With donor restrictions:			
Tourism Marketing District		171,834	171,834
	<u>194,744</u>	<u>171,834</u>	<u>366,578</u>
Total net assets			
	<u>\$ 416,558</u>	<u>\$ 172,566</u>	<u>\$ 589,124</u>
Total liabilities and net assets			

The accompanying notes to the combined financial statements are an integral part of this statement.

**SANTA MARIA VALLEY CHAMBER OF COMMERCE**  
**COMBINED STATEMENT OF SUPPORT, REVENUES, AND EXPENSES-**  
**MODIFIED ACCRUAL BASIS**  
**For the Fiscal Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Program Revenues:			
City of Santa Maria	\$ -	\$1,495,975	\$ 1,495,975
Santa Maria Airport		36,300	36,300
Program sponsorships	87,873		87,873
Program fees	27,950		27,950
County of Santa Barbara	42,519		42,519
Energy watch	133,955		133,955
Advertising	30,260		30,260
Net assets released from restrictions:			
Satisfaction of program restrictions			
Chamber of Commerce	338,021	(338,021)	
Visitors and Convention Bureau	373,903	(373,903)	
Economic Development	176,581	(176,581)	
Tourism Marketing District	584,786	(584,786)	
Total program revenues	<u>1,795,848</u>	<u>58,984</u>	<u>1,854,832</u>
Fundraising Revenues:			
Membership dues	291,774		291,774
Voluntary contributions	6,584		6,584
Total fundraising revenues	<u>298,358</u>		<u>298,358</u>
Other Revenues:			
Interest income	1,056		1,056
Miscellaneous	26,157		26,157
Total other revenue	<u>27,213</u>		<u>27,213</u>
Total revenues and other support	<u>2,121,419</u>	<u>58,984</u>	<u>2,180,403</u>
Expenses:			
Chamber of Commerce	1,008,225		1,008,225
Visitors and Convention Bureau	332,555		332,555
Economic Development	151,599		151,599
Tourism Marketing District	584,786		584,786
Total expenses	<u>2,077,165</u>		<u>2,077,165</u>
Changes in net assets	44,254	58,984	103,238
Net assets, beginning of fiscal year	<u>150,490</u>	<u>112,850</u>	<u>263,340</u>
Net assets, end of fiscal year	<u>\$ 194,744</u>	<u>\$ 171,834</u>	<u>\$ 366,578</u>

The accompanying notes to the combined financial statements are an integral part of this statement.

**SANTA MARIA VALLEY CHAMBER OF COMMERCE**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES PAID**  
For the Fiscal Year Ended June 30, 2020

	Chamber of Commerce	Visitors and Convention Bureau	Economic Development	Tourism Marketing District	Totals
Salaries	\$ 425,180	\$ 140,045	\$ 2,482	\$ -	\$ 567,707
Payroll taxes	35,180	12,366	297		47,842
Benefits	99,364	12,772			112,136
Payroll fees	1,175				1,175
Workers comp	1,172				1,172
Rent	28,654				28,654
Property tax	1,896				1,896
Utilities	4,766				4,766
Travel	8,772	81	1,494		10,347
Advertising	14,797	18,712	250		33,759
Administration				105,687	105,687
Business attraction	18	2,320	21,446		23,784
Marketing				472,301	472,301
Bank Fees	6,117				6,117
Product sales	3,398	118			3,516
Board of Directors	(1,150)				(1,150)
Dues and subscriptions	8,921	3,449	8,460		20,830
Equipment maintenance	6,979				6,979
Insurance	6,211				6,211
Supplies	12,535	716	306		13,557
Building & grounds	5,544				5,544
Facility maintenance	2,603				2,603
Committee	2,460				2,460
Contract	128,069				128,069
Postage and shipping	9,002				9,002
Education	2,773	105	585		3,463
Professional services	43,283	6,111	110,106		159,500
Sponsorships	10,050		1,000		11,050
Telephone	13,334	990			14,324
Member supplies	1,854				1,854
Foundation support	14,650				14,650
Staff meals	2,454	2,092	614		5,160
Mileage	5,493	2,681			8,174
VAFB	2,249				2,249
Trade shows		12,617			12,617
Special event		53,250			53,250
Website	2,175	120	35		2,330
Event expenses	50,518	450	1,782		52,750
Marketing collateral		4,632	111		4,743
Miscellaneous	319			6,798	7,117
Publications	38,369	57,443			95,812
Public relations	1,228	1,485	2,631		5,344
Total functional expenses paid before depreciation	1,000,412	332,555	151,599	584,786	2,069,352
Depreciation expense	7,813				7,813
Total functional expenses paid	<u>\$ 1,008,225</u>	<u>\$ 332,555</u>	<u>\$ 151,599</u>	<u>\$ 584,786</u>	<u>\$ 2,077,165</u>

The accompanying notes to the combined financial statements are an integral part of this statement.

**SANTA MARIA VALLEY CHAMBER OF COMMERCE**  
**STATEMENT OF CASH FLOWS-MODIFIED ACCRUAL BASIS**  
**Fiscal Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Cash flows from operating activities			
Increase/(Decrease) in net assets	\$ 44,254	58,984	\$ 103,238
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation	7,813		7,813
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(5,282)	(900)	(6,182)
Inventory	(4,665)		(4,665)
Prepaid expenses	(411)		(411)
Increase (decrease) in:			
Accounts payable	(40,574)	732	(39,842)
Accrued payroll	(4,756)		(4,756)
Deferred revenue	18,715		18,715
Compensated absences	8,148		8,148
Net cash provided by operating activities	<u>23,242</u>	<u>58,816</u>	<u>82,058</u>
Cash flows from investing activities			
Purchase of fixed assets	(4,188)		(4,188)
Net cash used by investing activities	<u>(4,188)</u>		<u>(4,188)</u>
Cash flows from financing activities			
Proceeds from EIDL loan	149,900		149,900
Net cash provided by financing activities	<u>149,900</u>		<u>149,900</u>
Net increase in cash and equivalents	168,954	58,816	227,770
Cash and cash equivalents at beginning of fiscal year	<u>192,445</u>	<u>112,850</u>	<u>305,295</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 361,399</u>	<u>\$ 171,666</u>	<u>\$ 533,065</u>
Statement of Net Position			
Cash on hand	\$ 250	\$ -	\$ 250
Cash in banks	361,149	171,666	532,815
Total	<u>\$ 361,399</u>	<u>\$ 171,666</u>	<u>\$ 533,065</u>

The accompanying notes to the combined financial statements are an integral part of this statement.

**SANTA MARIA VALLEY CHAMBER OF COMMERCE**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
June 30, 2020

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**NOTE 1 - ORGANIZATION**

The Santa Maria Valley Chamber of Commerce (the Organization) was organized in 1947, as a non-profit corporation, for the purpose of promoting Santa Maria area tourism and business. The Organization is exempt from federal income and franchise taxes under Section 501(c)(6) of the Internal Revenue Code and Section 23701 of the California Revenue and Taxation Code, except for amounts representing unrelated business income. The Organization's activities include the operation of the Chamber of Commerce, Economic Development, as well as the Visitors and Convention Bureau (VCB), all of which are reflected in the financial statements.

**Principles of Combination**

The combined financial statements include the Organization and the SMVCF. Significant transactions and balances between the Organizations have been eliminated for financial statement purposes.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The modified accrual basis of accounting used by the Organization follows the accounting principles of the accrual basis of accounting, except that membership dues are recognized when received and not deferred over the life of the membership. The modified accrual basis of accounting differs from accounting principles generally accepted in the United States of America.

**B. Support and Revenues**

The Organization receives its grants primarily from the City of Santa Maria and the County of Santa Barbara.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the combined statement of support, revenue, and expenses as net assets released from restrictions.

**C. Property and Equipment**

Fixed assets are stated at cost or, if donated, at the approximate fair value at the date of donation. The Organization's policy is to capitalize fixed assets of \$2,000 or more. Purchases under \$2,000 are expensed when paid. Depreciation is computed using the straight-line method over the estimated useful lives of the fixed assets, as follows:

Buildings and improvements	5 – 30 years
Furniture and equipment	5 – 7 years

Depreciation expense for the fiscal year ended June 30, 2020, totaled \$7,813, as follows:

Leasehold improvements	\$ 2,341
Furniture and equipment	<u>5,472</u>
Total depreciation expense	<u>\$ 7,813</u>

**D. Donated Services and Supplies**

Support arising from the contributed services of volunteer office personnel and supplies has not been recognized in the accompanying combined financial statements. Because there is no objective basis available to measure the value of services provided by the many volunteers, such as the Diplomats and Ambassadors, the value of their services were not reflected in the accompanying combined financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Compensated Absences**

Vacation and sick leave are expensed when they are used by the employees or upon termination, rather than as it is earned. All regular employees earn two to four weeks of paid vacation each year depending on their length of service with the Organization. Vacation can be accumulated up to a specified maximum number of hours and is paid to the employee upon termination. All regular employees also earn six days of paid sick leave each year, which can be accumulated but cannot be paid to the employee upon termination.

**F. Income Taxes**

The Organization qualifies as a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code and, therefore, has no provision for income taxes.

**G. Special Events**

The Organization conducts special events to raise funds used to support its program operations. All events are conducted in accordance with applicable federal, state, and local laws and ordinances. All revenues received from such events in excess of expenses are used for current program operations.

**H. Estimates**

The preparation of financial statements in conformity with the modified accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**I. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents included restricted and unrestricted cash and money market funds.

**J. Adopted Accounting Pronouncements**

During the fiscal year ended June 30, 2020, the Organization adopted the guidance regarding contributions received from Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958). Clarifying the scope and accounting guidance for contributions received and contributions made. This standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Based on the Organization's review of its grants and contracts, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position and the statement of activities and changes in net assets.

The Organization also adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (GAAP). This standard also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers. The Organization adopted the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position and the statement of activities and changes in net assets.

**SANTA MARIA VALLEY CHAMBER OF COMMERCE**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
 June 30, 2020

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**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Financial Assets:	
Cash on hand and in banks	\$ 533,065
Accounts receivable	20,336
Total	<u>\$ 553,401</u>
Less restricted funds	(171,834)
Amounts available for expenditure within one year	<u><u>\$ 381,567</u></u>

**NOTE 4 - CASH**

Cash in banks consisted of the following at June 30, 2020:

Rabobank	\$ 286,775
Pacific Premier	171,669
Community West Bank	74,371
	<u>\$ 532,815</u>

The Organization also holds \$250 in petty cash. The Organization had bank balances of \$20,654 which were not covered by insurance provided by the Federal Deposit Insurance Corporation due to being over the \$250,000 threshold.

**NOTE 5 - RESTRICTIONS ON NET ASSETS**

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets; net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period in its use.

At June 30, 2020, net assets with donor restrictions consisted of the following:

1. Tourism Marketing District: Restricted funds whose resources are restricted by grantors.

**SANTA MARIA VALLEY CHAMBER OF COMMERCE**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2020**

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**NOTE 5 - RESTRICTIONS ON NET ASSETS (continued)**

The major sources of restricted revenues for the fiscal year ended June 30, 2020, were:

City of Santa Maria	\$ 1,495,975
Santa Maria Airport	<u>36,300</u>
	<u>\$ 1,532,275</u>

Net assets with donor restrictions are available for the following purposes:

Tourism and Marketing District	\$ <u>171,834</u>
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**NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT**

Purchased fixed assets are recorded at historical cost. Donated fixed assets are valued at estimated fair value at the time of donation.

Fixed Assets at June 30, 2020, consists of the following:

	July 1 2019	Additions	Deletions	June 30 2020
Equipment	\$ 73,723	\$ 4,188	\$ -	\$ 77,911
Furniture	26,101			26,101
Leasehold improvements	55,868			55,868
Total depreciable assets	<u>155,692</u>	4,188		<u>159,880</u>
Less: accumulated depreciation	<u>129,440</u>	7,813		<u>137,253</u>
Net capital assets	<u>\$ 26,252</u>	<u>\$ (3,625)</u>	<u>\$ -</u>	<u>\$ 22,627</u>

**NOTE 7 - CONTINGENCIES**

The Visitors and Convention Bureau and Economic Development receives local funds that are subject to review and audit by the granting agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements would not be material. Should any expenditures be disallowed, a liability would be incurred which would have to be paid with non-grant funds.

**SANTA MARIA VALLEY CHAMBER OF COMMERCE**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
 June 30, 2020

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**NOTE 8 – ECONOMIC INJURY DISASTER LOAN**

On June 3, 2020, the Organization entered into a loan agreement with the U.S. Small Business Administration for \$149,900. This loan will be paid back over thirty years at a rate of 2.75% and a monthly payment of \$641. Future payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ -	\$ -	\$ -
2022	3,328	4,364	7,692
2023	3,427	4,265	7,692
2024	3,529	4,163	7,692
2025	3,634	4,058	7,692
2026-2030	19,909	20,089	39,998
2031-2035	23,058	16,940	39,998
2036-2040	26,704	13,294	39,998
2041-2045	30,925	9,073	39,998
2046-2050	35,386	4,614	40,000
Total	<u>\$ 149,900</u>	<u>\$ 80,860</u>	<u>\$ 230,760</u>

**NOTE 9 - SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Chamber’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Chamber is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity as of the date of issuance of these financial statements.