

SAN CLEMENTE CHAMBER OF COMMERCE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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Perry M. Henderson
CPA, MPA

Independent Auditor's Report

November 21, 2019

To the Board of Directors of the
San Clemente Chamber of Commerce

Report on the Financial Statements

I have audited the accompanying financial statements of the San Clemente Chamber of Commerce, which comprise the statement of financial position as of December 31, 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.

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 the 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 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, 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 financial position of the San Clemente Chamber of Commerce as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As discussed in note 1 to the financial statements, in 2018 the Chamber adopted new accounting guidance concerning presentation of financial statements for not-for-profit entities. My opinion is not modified with respect to this matter.

A handwritten signature in dark ink, appearing to read "Perry M. Henderson", followed by a long horizontal line extending to the right.

Perry M. Henderson, CPA

Master: Public Administration; **Member:** American Institute of CPA's, California Society of CPA's, California Association of Nonprofits. **Present and Past service includes:** Member, County of San Bernardino, California Audit Committee, AICPA Governmental Audit Quality Center Executive Committee; Member, CSCPA Peer Review Committee; CSCPA Professional Conduct Committee; AICPA Key Legislative Contact Program; Adjunct Faculty Member, University of Redlands; **Author:** CPA's Guide to Quality Control and Peer Reviews, CCH's Top Auditing Issues 2006-2013

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SAN CLEMENTE CHAMBER OF COMMERCE

Statement of Financial Position

December 31, 2018

ASSETS

Current Assets

Cash & cash equivalents (Note 3)	\$	293,903
Prepaid Expenses		<u>2,474</u>

Total Current Assets 296,377

Property & Equipment (Note 1)

Buildings		192,000
Equipment		88,129
Land		193,599
Accumulated depreciation		<u>(85,150)</u>

Net Property & Equipment 388,578

TOTAL ASSETS \$ 684,955

LIABILITIES & NET ASSETS:

Expenses payable	\$	8,286
Casa book project		2,029
Deferred revenue-sponsors		11,600
Deferred revenue - dues (Note 1)		<u>42,600</u>

TOTAL LIABILITIES 64,515

TOTAL NET ASSETS-without donor restriction 620,440

**TOTAL LIABILITIES
& NET ASSETS** \$ 684,955

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

SAN CLEMENTE CHAMBER OF COMMERCE

Statement of Activities

For the year ended December 31, 2018

REVENUES:

Membership Dues	\$	115,196
Fiesta Street Festival		130,635
San Clemente Seafest		31,463
Taste of San Clemente		40,730
Beer Fest		31,411
Marine parade & barbeque		16,222
State of the City		11,163
Installation & Awards Dinner		14,437
Business Resource Guide		30,343
Calendar		9,700
Miscellaneous Revenue		<u>7,159</u>

TOTAL REVENUES

438,459

EXPENSES:

Program Services		387,466
Supporting Services:		
Management and General		<u>54,631</u>
<i>TOTAL EXPENSES</i>		<u>442,097</u>

CHANGE IN NET ASSETS

(3,638)

Net assets at beginning of year-without donor restriction

624,078

NET ASSETS AT END OF YEAR-without donor restriction

\$ 620,440

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

SAN CLEMENTE CHAMBER OF COMMERCE

Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program Services	Management and General	Total
Salaries & wages	\$ 154,668	\$ 21,091	\$ 175,759
Employee benefits	25,177	3,433	28,610
Payroll taxes	12,239	1,669	13,908
Program supplies	5,693		5,693
Professional fees		16,618	16,618
Advertising	3,950		3,950
Office & postage	17,794	2,426	20,220
Occupancy	10,162	423	10,585
Printing & publication	9,036		9,036
Dues		7,117	7,117
Insurance	4,507	615	5,122
Food & beverages	28,601		28,601
Special event activities	63,065		63,065
Depreciation	9,089	1,239	10,328
Equipment	43,485		43,485
Total	<u>\$ 387,466</u>	<u>\$ 54,631</u>	<u>\$ 442,097</u>

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

SAN CLEMENTE CHAMBER OF COMMERCE

Statement of Cash Flows

For the year ended December 31, 2018

Cash Flows From Operating Activities

Change in net assets	\$	(3,638)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation		10,328
Decrease in:		
Prepaid expenses		20
Increase in:		
Expenses payable		3,444
Casa book project		971
Deferred revenue - dues & sponsors		6,700
Net Cash Provided		<u>17,825</u>
By Operating Activities		<u>17,825</u>
Net Increase in Cash		17,825
Cash & Cash Equivalents		
At Beginning of Year		<u>276,078</u>
<i>Cash & Cash Equivalents</i>		
<i>At End of Year</i>	\$	<u><u>293,903</u></u>

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

SAN CLEMENTE CHAMBER OF COMMERCE
Notes to Financial Statements
December 31, 2018

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The San Clemente Chamber of Commerce (the Chamber) is a non-profit organization dedicated to assist and enhance the business, economic and general well being of the local area, primarily in the City of San Clemente. The Chamber's mission statement is "to protect the free enterprise system, champion business, strive for a healthy economy and a better quality of life in our community." The Chamber is supported primarily through membership fees. It sponsors several committees, events and programs. Its major activities are assistance to member businesses and individuals, including promotion, governmental compliance and representation, dissemination of current events, legislation and other items affecting business, and various events such as the annual Fiesta Music Festival.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, the Chamber adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities." The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information about expenses and investment return between not-for-profit entities. A key change is the net asset classifications used in these financial statements. Amounts previously reported as "unrestricted net assets" are now captioned as "net assets without donor restrictions," and amounts previously reported as "temporarily restricted net assets" and "permanently restricted net assets," are now captioned as "net assets with donor restrictions."

Promises to Give

Contributions are recognized when the donor makes a promise to give to the chamber that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions. The Chamber rarely receives donations that are considered material to the financial statements. Items donated are usually sold at the

SAN CLEMENTE CHAMBER OF COMMERCE
Notes to Financial Statements
December 31, 2018

auctions sponsored by the Chamber. These donations are recognized when sold. The Chamber had no net assets with donor restrictions on December 31, 2018.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Chamber generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Chamber, but these services do not meet the criteria for recognition as contributed services. The Chamber receives more than 500 volunteer hours per year.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Deferred revenue and expenses

Revenue and expenses are deferred until the completion of a project, event or other activity. Revenue from member dues are normally received one year in advance and are deferred and recognized ratably over the year.

Capitalization policy & depreciation

The Chamber capitalizes all expenditures for land, buildings and equipment in excess of \$2,500 if the asset has a useful life greater than one year; the fair value of donated property is similarly capitalized. Equipment and furniture purchased with Chamber funds are capitalized at cost and depreciated over estimated useful lives which range from 5 to 8 years using the straight-line method. Property includes land, building and improvements that are depreciated over estimated useful lives of 8-15 years for improvements and 40 years for the building using the straight line method. Maintenance and repairs on the property are charged to operations when incurred.

SAN CLEMENTE CHAMBER OF COMMERCE
Notes to Financial Statements
December 31, 2018

2. FEDERAL AND STATE INCOME TAXES

The Chamber is exempt from income taxes under Section 501(c) (6) of the internal revenue code. However, income from certain unrelated business activities may be subject to income taxes. For California purposes the Chamber is exempt under California code section 23701(d). The Chamber has evaluated the tax positions in all of its returns for which the statute of limitations is open, and believes that they would be substantiated upon examination. The statute of limitations is open generally for three years for Federal purposes and four years for State of California.

3. CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Chamber considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

In addition the Chamber also maintains custody of funds which it holds in trust for “Business for a Better San Clemente” which is a political action committee. These funds amounted to \$ 7,493 at December 31, 2018. Since these funds are held in trust for the Chamber members to be used solely for supporting city council candidates and other political issues, they are not shown on the balance sheet.

The Chamber maintains a commercial bank account that typically exceeds FDIC insurance coverage by \$25,000 to \$50,000. Management does not consider this a significant risk.

4. PENSION PLAN

The Chamber has a Simple IRA plan for the exclusive benefit of eligible employees. All employees receiving at least \$5,000 in compensation, as defined in the plan, during any two prior years and who are reasonably expected to receive at least \$5,000 in compensation during the current year are eligible to participate in the plan pursuant to the terms of the plan. A participant may elect to defer up to \$15,500 of his or her annual salary as a contribution to the plan towards his/her retirement. The Chamber will make a matching contribution of the lesser of the employee’s actual contribution or 3% of his/her annual salary. The contribution for 2018 was \$ 4,680.

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Notes to Financial Statements
December 31, 2018

5. RELATED PARTY TRANSACTIONS

During the year, the Chamber paid \$ 8,250 to an accounting firm of which one of its directors is an owner, for accounting and tax services.

6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The San Clemente Chamber of Commerce has \$ 293,903 of financial assets available within one year of the date of the statement of financial position to meet cash needs for general expenditure consisting solely of cash. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statement of financial position. The Chamber has a goal to maintain financial assets, which consist primarily of cash, available to meet 90 days of normal operating expenses, which are, on average, approximately \$110,000.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 21, 2019, the date on which the financial statements were available to be issued.