COSTA MESA CONFERENCE AND VISITOR BUREAU

FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2013
and June 30, 2012

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Certified Public Accountants and Consultants

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To the Board of Directors of
Costa Mesa Conference and
Visitor Bureau

Independent Auditors' Report

We have audited the accompanying financial statements of Costa Mesa Conference and Visitor Bureau (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and assets, liabilities and net assets – cash basis, and the related statements of support, revenues, and expenses – cash basis for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles; 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 included 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 financial statements referred to above present fairly, in all material respects, the financial position of Costa Mesa Conference and Visitor Bureau (a nonprofit organization), as of June 30, 2013 and 2012, and assets, liabilities and net assets – cash basis, and the related statements of support, revenues, and expenses – cash basis for the year ended in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Geller Epenthen & McConnell LLP.

Certified Public Accountants

Long Beach, CA
November 30, 2013

COSTA MESA CONFERENCE AND VISITOR BUREAU
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
June 30, 2013 and June 30, 2012

	2013	2012
ASSETS		
Cash	$1,317,294	$1,288,743
Total assets	$1,317,294	$1,288,743
LIABILITIES		
Current Liabilities	$ 462	$ -
Total Liabilities	462	-
NET ASSETS		
Unrestricted	$1,316,832	$1,288,743
Net Assets	$1,316,832	$1,288,743

See accompanying notes to financial statements

COSTA MESA CONFERENCE AND VISITOR BUREAU
STATEMENTS OF SUPPORT, REVENUES AND EXPENSES - CASH BASIS
June 30, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS		
Unrestricted revenues		
Business improvement area assessment	$2,197,149	$1,939,658
Interest income	3,666	3,821
Other income	-	113
Total unrestricted revenues	2,200,815	1,943,592
Expenses		
Hotel and special promotions	321,237	323,973
Marketing	1,254,165	839,813
Salaries and benefits	343,153	315,536
General and administrative	254,171	160,841
Total expenses	2,172,726	1,640,163
Increase in unrestricted net assets	28,089	303,429
NET ASSETS AT BEGINNING OF THE YEAR	1,288,743	985,314
NET ASSETS AT END OF YEAR	$1,316,832	$1,288,743

See accompanying notes to financial statements

1. Nature of activities and Significant Accounting Policies

Nature of activities

The Costa Mesa Conference and Visitor Bureau (The Bureau) is a California non-profit corporation formed in 1995 to market the city of Costa Mesa as a leisure and group meeting travel destination.

The vision of the Bureau is to be the engaged destination-marketing leader by supporting and selling the city of Costa Mesa's distinct visitor brand experiences and advocating community tourism benefits. The Bureau's mission is to enhance and promote the city of Costa Mesa's brand, experience, further increasing visitor spending for industry and community economic viability, sustainability and quality of life.

The Bureau is comprised of the ten member hotels within the Business Improvement Area (BIA) of Costa Mesa. The member hotels are Costa Mesa Marriott, Hilton Costa Mesa, Holiday Inn Express Hotel & Suites, Residence Inn by Marriott, Avenue of the Arts Wyndham Hotel, Ayres Hotel & Suites, The Westin South Coast Plaza, Ramada Inn and Suites Costa Mesa, Best Western Plus Newport Mesa Inn, and Crowne Plaza.

Basis of accounting

The Bureau's policy is to prepare its financial statements on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when disbursed rather than when the obligation is incurred.

Tax status

The Bureau is exempt from taxation under Internal Revenue Code Section 501(c)(6) on income related to its tax exempt purpose. The Bureau had no unrelated business income, as defined by the Internal Revenue Code, for the fiscal years ended June 30, 2013 and June 30, 2012. Accordingly, no tax provision has been provided for in the accompanying financial statements.

Use of Estimates

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

1. Nature of activities and Significant Accounting Policies (continued)

Financial Statement Presentation

The Bureau reports information regarding its financial position and activities according to unrestricted net assets.

Designation of Unrestricted Net Assets

The Bureau designates the majority of its unrestricted net assets into the following major categories:

Hotel and special promotions - (See Note 3)

Marketing - (See Note 4)

Salaries and benefits – Funds to compensate for the employees of the Bureau, expenses such as salary, and employee benefit plan (See Note 6).

General and administrative - Funds to pay for expenses of operations of the Bureau.

Revenue

On behalf of the City of Costa Mesa the Bureau's ten member hotels collect a Business Improvement Area (BIA) levy on the sale of overnight guest room stays. For the fiscal year ended June 30, 2013 and June 30, 2012 the levy was three percent (3%) The levy is transmitted by the hotels to the City and is remitted to the Bureau, net of a one percent handling fee, pursuant to a Professional Services Agreement (PSA) entered into by and between the City and the Bureau.

The above mentioned levy is 99.8% of the total revenue of the Bureau for fiscal years ended June 30, 2013 and June 30, 2012, respectively. The professional services agreement (PSA) with the City of Costa Mesa is renewed annually. The Bureau and the City of Costa Mesa have a good working relationship; consequently there is no concern that the PSA will not be renewed each year, indefinitely.

Use of BIA Revenue

California state law provides that BIA assessments are to be used for the purposes specified in the authorizing resolution that established the assessment. The City's resolution that established the assessment references the uses specified in the Bureau's annual report.

2. Cash

Cash consists of demand deposits as of June 30, 2013 and June 30, 2012 at the following institutions:

	6/30/13	6/30/12
American Securities Bank	$731,325	$476,495
Pacific Premier Bank	368,476	585,369
Beach Business Bank	217,493	216,747
National Bank	0	10,132
Total	$1,317,294	$1,288,743

The Bureau maintains its cash in bank deposit accounts, which at various times during the fiscal years ended June 30, 2013 and June 30, 2012 exceeded federally insured limits.

3. Hotel promotions expense

During 2012-2013 fiscal years, the Bureau allocated $150 per room to each member hotel for hotel specific marketing purposes. The allocation subsidizes hotel specific advertising and marketing efforts that also include the Bureau logo. Vendor invoices are either paid by the hotel or paid directly by the Bureau.

Samples of the advertising / marketing material must be submitted showing the Bureau logo for reimbursement. Hotel promotions expense amounted to $321,237 and $323,973 for fiscal years ended June 30, 2013 and June 30, 2012, respectively. If the hotels do not use all of their allocated funds the funds revert back to the Bureau.

It is the opinion of the Bureau that reimbursing the hotels for advertising costs provides a public benefit to the City of Costa Mesa by promoting tourism, increasing retail sales, etc.

4. Marketing expenses

The Bureau incurs marketing expenses related to its mission of promoting the City of Costa Mesa as a tourist destination. For the fiscal years ended June 30, 2013 and June 30, 2012, marketing expenses totaled $1,254,165 and $839,813, respectively.

Marketing expenses include a new website for the Bureau which went live in January 2012, community sponsorships, brochures, print advertising and various promotions. All of these endeavors promote tourism in the City of Costa Mesa.

5. Commitments and Contingencies

The Bureau entered into a lease for office space effective July 15, 2010. The lease is for five (5) years ending July 31, 2015. There is an option to renew the lease for an additional five (5) years at the end of the lease period. Total rent expense for fiscal years ending June 30, 2013 and June 30, 2012 amounted to $34,389 and $32,076, respectively.

Future minimum lease obligations as of June 30, 2013 consist of the following:

Fiscal year ended June 30, 2014	$34,047
June 30, 2015	$35,068
June 30, 2016 thereafter	$2,969

The Bureau also entered into non-cancelable lease for a color copier on September 30, 2010. The lease is for five (5) years ending September 29, 2015. Monthly payment for the copier is $166.60 per month until the end of the lease.

6. Employee Benefit Plan

The Bureau sponsors a defined contribution salary deferral plan (401(k) plan) covering all employees. Beginning in April 2012 the board of directors has agreed to match 401(k) contributions dollar for dollar up to 3% of the eligible employee's salary. During the fiscal year ended June 30, 2013 matching contributions amounted to $9,522. There were no matching contributions during fiscal year June 30, 2012.

7. Credit Risk

The Bureau maintains cash deposits at institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At various times during 2013 and 2012, the Bureau maintained balances in excess of the federally insured limit.

8. Risk and Uncertainties

Due to the nature of the Bureau's business, the Bureau's revenue is entirely dependent on the City of Costa Mesa, which collects the Business Improvement Area (BIA) levy from the ten hotels in Costa Mesa (see Revenue). A cancellation of the Professional Service Agreement (PSA) between the City of Costa Mesa and the Bureau will adversely and severely impact the Bureau's financial position. The possibility of the PSA agreement not being renewed annually is remote.

9. Subsequent Events

Management has evaluated subsequent events through November 30, 2013, the date that the financial statements were available to be issued. The following subsequent event has been identified for disclosure in these financial statements.

The Bureau had initiated a lawsuit against a former vendor, during 2012. The Bureau believed the vendor had breached a contract with the Bureau by not performing services as requested. During 2013, the case resulted in The Bureau losing the lawsuit against the vendor.