

# **SAN CLEMENTE CHAMBER OF COMMERCE**

## **FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

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**Perry M. Henderson**  
**CPA, MPA**

*Independent Auditor's Report*

November 30, 2018

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, 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.

***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, 2017, 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.

A handwritten signature in dark ink, reading "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, AICPA Government Audit Quality Center Executive Committee; Member, CSCP Peer Review Committee; CSCP 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, 2017

*ASSETS*

Current Assets

Cash & cash equivalents (Note 4)	\$	276,078
Prepaid Expenses		2,494

Total Current Assets 278,572

Property & Equipment (Note 2)

Buildings		192,000
Equipment		88,129
Land		193,599
Accumulated depreciation		(74,822)

Net Property & Equipment 398,906

*TOTAL ASSETS* \$ 677,478

*LIABILITIES & NET ASSETS:*

Expenses payable	\$	4,842
Casa book project		1,058
Deferred revenue-sponsors		2,000
Deferred revenue - dues (Note 1)		45,500

*TOTAL LIABILITIES* 53,400

*TOTAL NET ASSETS* 624,078

*TOTAL LIABILITIES  
& NET ASSETS* \$ 677,478

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, 2017

### REVENUES:

Membership Dues	\$	106,585
Fiesta Street Festival		143,312
San Clemente Seafest		19,613
Taste of San Clemente		38,844
Golf Tournament		18,075
Beer Fest		21,058
Surf Contest		3,055
Marine parade & barbeque		18,466
State of the City		13,381
Installation & Awards Dinner		11,242
Community Networking		3,876
Business Resource Guide		12,050
Calendar		10,260
Miscellaneous Revenue		1,156

### TOTAL REVENUES

420,973

### EXPENSES:

Program Services		391,959
Supporting Services:		
Management and General		54,546
TOTAL EXPENSES		446,505

### CHANGE IN NET ASSETS

(25,532)

Net assets at beginning of year

649,610

### NET ASSETS AT END OF YEAR

\$ 624,078

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, 2017

	Program Services	Management and General	Total
Salaries & wages	\$ 153,072	\$ 20,873	\$ 173,945
Employee benefits	24,754	3,376	28,130
Payroll taxes	12,524	1,708	14,232
Program supplies	6,944	-	6,944
Professional fees	-	16,271	16,271
Advertising	3,500	-	3,500
Office & postage	22,147	3,200	25,347
Occupancy	11,035	460	11,495
Printing & publication	6,914	364	7,278
Dues		6,471	6,471
Insurance	4,506	614	5,120
Food & beverages	27,333	-	27,333
Special event activities	67,136	-	67,136
Depreciation	8,870	1,209	10,079
Equipment	43,224	-	43,224
Total	<u>\$391,959</u>	<u>\$54,546</u>	<u>\$446,505</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, 2017

Cash Flows From Operating Activities

Change in net assets	\$ (25,532)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	10,079
(Increase) decrease in:	
Accounts receivable	14,493
Prepaid expenses	18
Increase (decrease) in:	
Expenses payable	(2,845)
Deferred revenue - dues & sponsors	2,500
Net Cash Provided (Used) By Operating Activities	(1,287)

Cash Flows From Investing Activities

Cash paid for equipment	(2,507)
Net Cash Provided (Used) By Investing Activities	(2,507)
Net Increase (Decrease) in Cash	(3,794)

Cash & Cash Equivalents

At Beginning of Year	279,872
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*Cash & Cash Equivalents*

<i>At End of Year</i>	\$ 276,078
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The accompanying notes are an integral part of the financial statements.

SAN CLEMENTE CHAMBER OF COMMERCE

Notes to Financial Statements

December 31, 2017

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 activity is the publication of a directory of individuals and businesses in the South Coast Area and includes business advertising.

*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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporary or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Chamber rarely receives donations that are considered material to the financial statements and are usually sold at the auctions sponsored by the Chamber. These donations are recognized when sold. The Chamber had no temporarily restricted, or permanently restricted net assets on December 31, 2017.

*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.

SAN CLEMENTE CHAMBER OF COMMERCE

Notes to Financial Statements

December 31, 2017

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*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.

*Change of accounting year*

In the previous fiscal period, the Board of Directors decided to change the Chamber's accounting year to a calendar year, from a fiscal year ending on January 31<sup>st</sup>.

Accordingly, that period reflected transactions during the eleven months ended December 31, 2016, while the current financial statements reflect transactions during the year ended December 31, 2017.

2. 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 a land, building and improvements that are depreciated over estimated useful lives of 8-15 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, 2017

3. 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 opens, 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.

4. SUMMARY OF CASH AND CASH EQUIVALENTS AND INVESTMENTS

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. Certificates of deposit with a maturity of three months or less are considered to be cash equivalents. Those with a maturity over three months are classified as investments.

*Cash and cash equivalents:*

Chamber control – Petty cash	\$2,103
Farmers' & Merchants' Bank-- checking	276,058
	<u>\$278,161</u>

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 \$14,120 at December 31, 2017. 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.

SAN CLEMENTE CHAMBER OF COMMERCE  
Notes to Financial Statements  
December 31, 2017

5. 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.

6. RELATED PARTY TRANSACTIONS

During the year, the Chamber paid \$ 9,000 to an accounting firm of which one of its directors is an owner, for accounting and tax services.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2018 the date on which the financial statements were available to be issued.