



**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce**

Annual Financial Report

June 30, 2018 and 2017

Mission Statement

To aggressively promote economic growth and development that attracts and retains business in the City of Irvine

Executive Committee & Board of Directors
As of June 30, 2018

	<u>Name</u>	<u>Title</u>
Executive Committee	James J. McDonald, Jr.	Chairman
	Bryan Starr	President / CEO
	Dan Han	Senior Vice Chair
	Traci Tran	Vice Chair and CFO
	Barry Rodolff	Vice Chair of General Counsel
	Scott Schultz	Vice Chair of Membership
	Kate Klimow	Vice Chair of Governmental Affairs
	Carissa Bechtloff	Vice Chair, Programs
	Jeff Davis	Vice Chair of Economic Development and Tourism
	Lisa Thomas	Vice Chair, Marketing & Communications
	Albert Napoli	Past Chair
Board of Directors	Anthony Consenza	Director
	Massis Chahbazian	Director
	Kim Sherman	Director
	Michael Drennen	Director
	Rachel Dunnington	Director
	Justin LaJoie	Director
	Daniel Gil	Director
	Chip Monaco	Director
	Brian Montes	Director
	Carley Hummel	Director
	Dr. Shelly Neal	Director
	Scott Norton	Director
	Carlos Oregon	Director
	Michael Petersen	Director
	Leigh Volkland	Director
	Paul Simonds	Director
Bruce Lazenby	Director	
Glenn Roquemore	Director	

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
36 Executive Park, Suite 100
Irvine, CA 92614
(949) 660-9112
www.greaterirvinechamber.com**

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce**

Annual Financial Report

For the Fiscal Years Ended June 30, 2018 and 2017

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Annual Financial Report
For the Fiscal Years Ended June 30, 2018 and 2017**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Financial Section	
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets for the year ended June 30, 2018	4
Statement of Activities and Changes in Net Assets for the year ended June 30, 2017	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-10
Supplementary Information Section	
Schedules of Functional Expenses for the years ended June 30, 2018 and 2017	11

Financial Section



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadessa, CPA
Andy Beck, CPA

Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

Independent Auditor's Report

Board of Directors
Irvine Chamber of Commerce
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of Business and Economic Development, a Division of the Greater Irvine Chamber of Commerce, a nonprofit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years 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 controls 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 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 of 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 financial statements referred to above present fairly, in all material respects, the financial position of Business and Economic Development, a Division of the Greater Irvine Chamber of Commerce, as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of functional expenses on page 11 included in the accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

October 23, 2018

Financial Statements

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Statements of Financial Position
June 30, 2018 and 2017**

<i>Assets</i>	2018	2017
Current assets:		
Cash and cash equivalents	\$ 620,267	\$ 489,138
Investments in certificates of deposit	69,000	68,862
Accounts receivable	438,187	434,273
Prepaid expenses and deposits	107,828	112,741
Total current assets	1,235,282	1,105,014
Non-current assets:		
Property and equipment:		
Computer equipment and software	50,108	42,561
Tenant improvements	17,347	17,347
Furniture and fixtures	47,014	47,014
Total property and equipment	114,469	106,922
Less: accumulated depreciation	(48,665)	(27,883)
Total property and equipment, net	65,804	79,039
Total non-current assets	65,804	79,039
Total assets	\$ 1,301,086	\$ 1,184,053
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 61,694	\$ 66,528
Due to Greater Irvine Chamber of Commerce	127,123	121,484
Accrued vacation expense	22,636	21,065
Total current liabilities	211,453	209,077
Net assets:		
Unrestricted	65,804	79,039
Temporarily restricted	1,023,829	895,937
Total net assets	1,089,633	974,976
Total liabilities and net assets	\$ 1,301,086	\$ 1,184,053

See accompanying notes to the financial statements

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Statement of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>
Support and other revenue:			
Hotel Improvement District revenues	\$ -	\$ 2,720,756	\$ 2,720,756
Interest earnings	-	332	332
Other income	-	70,705	70,705
	<u>-</u>	<u>2,791,793</u>	<u>2,791,793</u>
Total support and other revenue	-	2,791,793	2,791,793
Net assets released from restrictions	<u>2,663,901</u>	<u>(2,663,901)</u>	<u>-</u>
Total revenue	<u>2,663,901</u>	<u>127,892</u>	<u>2,791,793</u>
Program services:			
Program expense	1,222,111	-	1,222,111
Economic development	409,949	-	409,949
Tourism development	1,045,076	-	1,045,076
	<u>2,677,136</u>	<u>-</u>	<u>2,677,136</u>
Total program services	2,677,136	-	2,677,136
Total expenses	<u>2,677,136</u>	<u>-</u>	<u>2,677,136</u>
Changes in net assets	(13,235)	127,892	114,657
Net assets, beginning of year	<u>79,039</u>	<u>895,937</u>	<u>974,976</u>
Net assets, end of year	<u>\$ 65,804</u>	<u>\$ 1,023,829</u>	<u>\$ 1,089,633</u>

See accompanying notes to the financial statements

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Statement of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>
Support and other revenue:			
Hotel Improvement District revenues	\$ -	\$ 2,348,015	\$ 2,348,015
Interest earnings	-	466	466
Other income	-	61,272	61,272
	<u>-</u>	<u>2,409,753</u>	<u>2,409,753</u>
Total support and other revenue	-	2,409,753	2,409,753
Net assets released from restrictions	<u>2,550,639</u>	<u>(2,550,639)</u>	<u>-</u>
Total revenue	<u>2,550,639</u>	<u>(140,886)</u>	<u>2,409,753</u>
Program services:			
Program expense	1,066,277	-	1,066,277
Economic development	399,262	-	399,262
Tourism development	<u>1,068,655</u>	<u>-</u>	<u>1,068,655</u>
	<u>2,534,194</u>	<u>-</u>	<u>2,534,194</u>
Total program services	2,534,194	-	2,534,194
Total expenses	<u>2,534,194</u>	<u>-</u>	<u>2,534,194</u>
Changes in net assets	16,445	(140,886)	(124,441)
Net assets, beginning of year	<u>62,594</u>	<u>1,036,823</u>	<u>1,099,417</u>
Net assets, end of year	<u>\$ 79,039</u>	<u>\$ 895,937</u>	<u>\$ 974,976</u>

See accompanying notes to the financial statements

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 114,657	\$ (124,441)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,782	17,423
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(4,052)	(38,999)
Prepaid expenses and deposits	4,913	(40,793)
Increase (decrease) in liabilities:		
Accounts payable	(4,834)	(53,076)
Due to Irvine Chamber of Commerce	5,639	827
Accrued vacation expense	1,571	(1,139)
Total adjustments	<u>24,019</u>	<u>(115,757)</u>
Net cash provided by (used in) operating activities	<u>138,676</u>	<u>(240,198)</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(7,547)</u>	<u>(33,868)</u>
Net cash used in investing activities	<u>(7,547)</u>	<u>(33,868)</u>
Net increase (decrease) in cash and cash equivalents	131,129	(274,066)
Cash and cash equivalents, beginning of year	<u>489,138</u>	<u>763,204</u>
Cash and cash equivalents, end of year	<u>\$ 620,267</u>	<u>\$ 489,138</u>

See accompanying notes to the financial statements

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Notes to the Financial Statements
June 30, 2018 and 2017**

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

Business and Economic Development, a Division of the Greater Irvine Chamber of Commerce (Business and Economic Development), is designed to attract, recruit and retain business and tourism in the City of Irvine, California. The main source of funding for Business and Economic Development is through a Hotel Improvement District Assessment (Assessment) in which the City of Irvine passes 1.5% of the 2% Assessment to the Irvine Chamber of Commerce to fund Business and Economic Development that is accounted for in these financial statements.

On February 10, 2017, the Irvine Chamber of Commerce filed with the California Secretary of State an amendment to its Articles of Incorporation which changed its name to Greater Irvine Chamber of Commerce (the "Chamber").

B. Basis of Accounting

Business and Economic Development prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

C. Financial Reporting and Presentation

Business and Economic Development follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. This standard requires Business and Economic Development to report information regarding its statements of financial position and statements of changes in net assets according to the following three classes of net assets based on the existence or absence of donor imposed restrictions:

- *Unrestricted net assets* are not restricted by donors or the donor-imposed restrictions have expired.
- *Temporarily restricted net assets* contain donor-imposed restrictions that permit Business and Economic Development to use or expend the assets only as specified. These restrictions are satisfied either by the passage of time or by Business and Economic Development's expenditure for the specified purpose.
- *Permanently restricted net assets* contain donor-imposed restrictions and stipulate that the resources be maintained permanently but permit Business and Economic Development to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. There were no permanently restricted net assets at June 30, 2018 and 2017.

Allocation of Functional Expenses

The costs of providing Business and Economic Development's programs and administration have been allocated among the programs and supporting services benefited.

Temporarily Restricted Contributions

Business and Economic Development records all contributions received as temporarily restricted contributions as Business and Economic Development is a donor restricted program of the Hotel Improvement District through the City of Irvine.

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Notes to the Financial Statements, continued
June 30, 2018 and 2017**

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting and Presentation, continued

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This ASU will simplify the face of the financial statements by eliminating the distinction between resources with permanent restrictions and those with temporary restriction, while at the same time enhancing the footnote disclosures to provide financial statement readers with more useful information about an entity's resources and changes in those resources. This ASU will be effective for fiscal years beginning after December 15, 2017. Management is evaluating the impact of adopting this new ASU on the financial statements.

D. Assets, Liabilities and Net Assets

1. Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in Business and Economic Development's net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

For the purpose of reporting cash flows, Business and Economic Development considers all highly liquid debt instruments, purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

3. Investments

Highly liquid marketable securities except those purchased with original maturities of three months or less are classified as investments rather than cash equivalents for financial reporting purposes. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The Business and Economic Development has investments in certificates of deposit with original maturity of one year or less.

4. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Hotel Improvement District of the City of Irvine. These funds are used for business recruitment, retention and tourism in Irvine. Receivables are considered to be fully collectable, accordingly, no allowance for doubtful accounts has been provided.

5. Prepaid Expenses and Deposits

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items.

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Notes to the Financial Statements, continued
June 30, 2018 and 2017**

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Assets, continued

6. Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value at date of donation. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives of the assets, ranging from three to ten years. Property and equipment is capitalized if the cost or donated fair market value of an asset is greater than, or equal to, \$1,000. The Business and Economic Development's depreciation expense for the years ended June 30, 2018 and 2017 amounted to \$20,782 and \$17,423, respectively.

7. Advertising and Promotion Costs

Advertising and promotion costs expensed totaled \$1,455,025 and \$1,467,917 for the fiscal years ended June 30, 2018 and 2017, respectively.

8. Income Taxes

The Greater Irvine Chamber of Commerce is a nonprofit organization as described in Section 501(c)(6) of the Internal Revenue Code (Code) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code and Section 23701d of the California Revenue and Taxation Code. Business and Economic Development is a division of the Greater Irvine Chamber of Commerce. However, the Greater Irvine Chamber of Commerce is subject to income taxes on any net income that is derived from a trade or business activity regularly carried on, and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business activity, in the opinion of management, is not material to the financial statements taken as a whole.

The Greater Irvine Chamber of Commerce has applied the provisions of ASC Subtopic 740-10, *Income Taxes—Overall*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on recognition, classification, interest, and penalties, disclosure, and transition. The Management of the Greater Irvine Chamber of Commerce believes that no such uncertain tax positions exist as of June 30, 2018 and 2017, respectively.

9. Donated Services

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased. A substantial number of unpaid volunteers have made significant contributions to the Chamber's program services. The value of these contributions is not reflected in these statements since they do not meet the criteria for recognition of contributed services.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are for the use of business development, economic development and tourism and were \$1,023,829 and \$895,937 at June 30, 2018 and 2017, respectively. These are programs designed to promote tourism and attract, recruit and retain businesses with the City of Irvine.

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Notes to the Financial Statements, continued
June 30, 2018 and 2017**

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Assets, continued

11. Related Party Transactions

The Chamber's first choice is to conduct business with member organizations, some of which are represented on the Board of Directors. The Chamber's policy is to request proposals from at least three vendors who compete to provide the needed service or merchandise. All transactions are at arm's length and are usually the same terms that are offered by the vendor to the general public.

The Chamber advances certain costs on behalf of Business and Economic Development for operating expenses such as salaries, employee benefits, payroll taxes, rent and telephone. Business Economic Development reimbursed the Chamber for these expenses in the amount of \$1,612,737 and \$1,264,967 in fiscal year 2018 and 2017, respectively.

(2) Concentrations of Credit and Other Risks

Business and Economic Development maintains cash balances at several banks. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 in the aggregate for each bank. For the years ended June 30, 2018 and 2017, Business and Economic Development had segregated its cash balances into various accounts to remain under the insured limits.

(3) Accrued Vacation Expense

The Business and Economic Development has a policy permitting employees to accumulate unused vacation benefits. Upon termination or retirement, unused vacation benefits will be paid at the employee's regular payroll rate. The balance of unused vacation benefits at June 30, 2018 and 2017 are \$22,636 and \$21,065, respectively.

(4) Contingencies

Litigation

In the ordinary course of operations, the Greater Irvine Chamber of Commerce is subject to claims and litigation from outside parties. After consultation with legal counsel, the Greater Irvine Chamber of Commerce believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(5) Subsequent Events

Events occurring after June 30, 2018 have been evaluated for possible adjustment to the financial statements or disclosure through October 23, 2018, which is the date the financial statements were available to be issued.

Supplementary Information

**Business and Economic Development,
A Division of the Greater Irvine Chamber of Commerce
Schedules of Functional Expenses
For the Fiscal Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Program services:		
Salaries and commissions	\$ 719,007	\$ 574,893
Payroll tax and employee benefits	120,343	95,811
Advertising and promotion	1,455,025	1,467,917
General and administrative	<u>382,761</u>	<u>395,573</u>
Total program services	<u>2,677,136</u>	<u>2,534,194</u>
Total expenses	<u>\$ 2,677,136</u>	<u>\$ 2,534,194</u>

See accompanying Independent Auditor's Report

**City of Irvine
Irvine Hotel Improvement District (IHID)
Revenue and Expenditure Summary Report
Fiscal Year 2017-18**

	FY 2017-18
REVENUES	
Irvine Hotel Improvement District (IHID) Assessments	\$ 3,737,372
EXPENDITURES	
Destination Irvine Program (75%)	\$ 2,803,029 (A)
City of Irvine Cultural Programs (25%)	934,343 (B)
Total Expenditures	3,737,372

Note:

- (A) Audited annual financial statement for the Greater Irvine Chamber showed \$2,720,756 received from the IHID assessments. The Chamber's financials understated its revenue from IHID by \$82,273, or 3% for the fiscal year ended June 30, 2018.
- (B) Amount contributed to the Irvine Barclay Theatre from the IHID Assessment during Fiscal Year 2017-18 was \$925,000.
- (C) The Chamber submitted their Fiscal Year 2017-18 Performance Report to the City in August 2018. In the Performance Report, the Chamber described activities funded by the IHID assessment received in detail.