

SONOMA COUNTY
• CALIFORNIA •

LIFE OPENS UP[®]

SONOMA COUNTY TOURISM

Sonoma County Tourism Bureau, Inc.

Financial Statements

Years Ended June 30, 2023 and 2022



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities for the Year Ended June 30, 2023	4
Statement of Activities for the Year Ended June 30, 2022	5
Statement of Functional Expenses for the Year Ended June 30, 2023	6
Statement of Functional Expenses for the Year Ended June 30, 2022	7
Statements of Cash Flows	8
Notes to Financial Statements	10
Supplementary Information	
Statement of Activities by Source for the Year Ended June 30, 2023	18
Statement of Activities by Source for the Year Ended June 30, 2022	19
Notes to Supplementary Information	20



Independent Auditor's Report

Board of Directors
Sonoma County Tourism Bureau, Inc.

Opinion

We have audited the financial statements of Sonoma County Tourism Bureau, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as of and for the years ended June 30, 2023 and 2022, as a whole. The accompanying supplementary information for the years ended June 30, 2023 and 2022 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 for the years ended June 30, 2023 and 2022 is fairly stated in all material respects in relation to the financial statements as a whole.



Santa Rosa, California
February 20, 2024

Sonoma County Tourism Bureau, Inc.
Statements of Financial Position

June 30,	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 3,068,938	\$ 3,788,765
Accounts receivable, net	2,674,579	3,369,665
Inventory	25,936	24,327
Prepaid expenses and other assets	370,483	435,819
Total current assets	6,139,936	7,618,576
Property, equipment, and improvements, net	268,107	50,896
Right-of-use operating lease assets, net	1,226,266	-
Deposits	26,122	26,122
Total assets	\$ 7,660,431	\$ 7,695,594
Liabilities		
Current liabilities		
Accounts payable	\$ 673,214	\$ 314,253
Accrued expenses	423,770	294,088
Operating lease liability	251,685	-
Total current liabilities	1,348,669	608,341
Operating lease liability	1,010,470	-
Total liabilities	2,359,139	608,341
Net assets without donor restrictions	5,301,292	7,087,253
Total liabilities and net assets	\$ 7,660,431	\$ 7,695,594

See accompanying notes.

Sonoma County Tourism Bureau, Inc.
Statement of Activities

Year Ended June 30, 2023

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and other revenue			
Contract revenue			
BIA contract	\$ 5,659,720	\$ -	\$ 5,659,720
TOT contract	3,213,148	-	3,213,148
Rental income and reimbursements	146,533	-	146,533
Investment income	15,044	-	15,044
AHP fees	1,485	-	1,485
Total support and other revenue	9,035,930	-	9,035,930
Expenses			
Program services	8,901,361	-	8,901,361
Management and general	1,920,530	-	1,920,530
Total expenses	10,821,891	-	10,821,891
Change in net assets	(1,785,961)	-	(1,785,961)
Net assets at beginning of year	7,087,253	-	7,087,253
Net assets at end of year	\$ 5,301,292	\$ -	\$ 5,301,292

See accompanying notes.

Sonoma County Tourism Bureau, Inc.
Statement of Activities

Year Ended June 30, 2022

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and other revenue			
Contract revenue			
BIA contract	\$ 6,245,589	\$ -	\$ 6,245,589
TOT contract	3,824,197	-	3,824,197
Paycheck Protection Program loan forgiveness	446,459	-	446,459
Rental income and reimbursements	259,994	-	259,994
AHP fees	3,015	-	3,015
Investment income	3,306	-	3,306
Total support and other revenue	10,782,560	-	10,782,560
Expenses			
Program services	8,007,945	-	8,007,945
Management and general	1,667,261	-	1,667,261
Total expenses	9,675,206	-	9,675,206
Change in net assets	1,107,354	-	1,107,354
Net assets at beginning of year	5,979,899	-	5,979,899
Net assets at end of year	\$ 7,087,253	\$ -	\$ 7,087,253

See accompanying notes.

Sonoma County Tourism Bureau, Inc.
Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services	Management and General	Total
Personnel			
Salaries and wages	\$ 1,750,979	\$ 720,810	\$ 2,471,789
Employee benefits	274,766	92,646	367,412
Payroll taxes	70,134	18,422	88,556
Recruiting	-	596	596
	2,095,879	832,474	2,928,353
Operating			
Advertising	2,260,154	-	2,260,154
Digital engagement	2,044,902	1,694	2,046,596
Contract services	734,534	36,683	771,217
Event and organization sponsorship	447,707	7,500	455,207
Client events and entertainment	359,774	23,631	383,405
Facilities expense	-	354,557	354,557
Professional development and training	173,602	145,220	318,822
Travel and tradeshow	307,285	30	307,315
Research and development	254,726	-	254,726
Fees and licenses	-	175,995	175,995
Technology	-	155,859	155,859
Destination programming	79,515	69,538	149,053
Organization tools	74,212	45,973	120,185
Memberships	35,616	39,978	75,594
Office supplies and equipment	33,455	24,773	58,228
Depreciation	-	18,631	18,631
Bad debt expense (recovery)	-	(12,006)	(12,006)
	6,805,482	1,088,056	7,893,538
Total expenses	\$ 8,901,361	\$ 1,920,530	\$ 10,821,891

See accompanying notes.

Sonoma County Tourism Bureau, Inc.
Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services	Management and General	Total
Personnel			
Salaries and wages	\$ 1,432,375	\$ 574,213	\$ 2,006,588
Employee benefits	160,701	69,987	230,688
Payroll taxes	115,028	41,136	156,164
Recruiting	-	10,329	10,329
	1,708,104	695,665	2,403,769
Operating			
Advertising	3,315,626	-	3,315,626
Digital engagement	866,354	6,350	872,704
Contract services	546,592	34,873	581,465
Destination programming	201,582	129,979	331,561
Travel and tradeshow	286,641	-	286,641
Client events and entertainment	257,571	13,062	270,633
Event and organization sponsorship	264,638	-	264,638
Facilities expense	-	256,381	256,381
Research and development	248,009	2,400	250,409
Professional development and training	98,760	93,771	192,531
Fees and licenses	-	167,340	167,340
Technology	-	160,691	160,691
Organization tools	73,122	31,750	104,872
Bad debt expense	94,567	-	94,567
Office supplies and equipment	28,385	31,979	60,364
Memberships	17,994	23,867	41,861
Depreciation	-	19,153	19,153
	6,299,841	971,596	7,271,437
Total expenses	\$ 8,007,945	\$ 1,667,261	\$ 9,675,206

See accompanying notes.

Sonoma County Tourism Bureau, Inc.
Statements of Cash Flows

Year Ended June 30,	2023	2022
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Changes in net assets	\$ (1,785,961)	\$ 1,107,354
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	18,631	19,153
Right-of-use asset operating lease amortization	251,254	-
Paycheck Protection Program loan forgiveness	-	(446,459)
Decrease (increase) in operating assets:		
Accounts receivable	695,086	(1,387,560)
Inventory	(1,609)	(9,859)
Prepaid expenses and other assets	65,336	(108,228)
Increase (decrease) in operating liabilities:		
Accounts payable	358,961	(151,653)
Accrued expenses	129,682	105,638
Operating lease liability	(215,365)	-
Net cash used in operating activities	(483,985)	(871,614)
Cash flows from investing activities		
Purchase of property, equipment, and improvements	(235,842)	(5,257)
Net decrease in cash and cash equivalents	(719,827)	(876,871)
Cash and cash equivalents at beginning of year	3,788,765	4,665,636
Cash and cash equivalents at end of year	\$ 3,068,938	\$ 3,788,765

See accompanying notes.

Sonoma County Tourism Bureau, Inc.
Statements of Cash Flows (continued)

Year Ended June 30,	2023	2022
Supplemental disclosure of cash flow information		
Amounts included in the measurement of operating lease liability	\$ 253,761	\$ -
Noncash investing and financing transactions		
Right-of-use assets obtained in exchange for operating lease obligations	\$ 1,477,520	\$ -

See accompanying notes.

Note A. Nature of the Organization

The Sonoma County Tourism Bureau, Inc. (the “Organization”) was formed in 2005. The Organization is a California not-for-profit mutual benefit corporation established to promote and encourage tourism within Sonoma County.

The Organization has contracts with Sonoma County and receives funding from the Sonoma County Tourism Business Improvement Area (“BIA”) and the County of Sonoma Transient Occupancy Tax (“TOT”). The Organization facilitates the services, activities, and programs funded by BIA revenue, which covers all unincorporated areas of Sonoma County, as well as the cities of Cloverdale, Cotati, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, and Windsor. The Organization’s revenue received from TOT must be spent to promote tourism throughout Sonoma County.

Note B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The only limits on net assets without donor restrictions are those resulting from the nature of the Organization and its purposes.

With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, when the donor stipulates that resources be maintained in perpetuity.

Net Assets Released from Restriction – Net assets with donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resourced was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except when a restriction is imposed which limits the investment’s use to long-term.

Accounts Receivable

Receivables are monies due from various sources for services performed prior to the end of the reporting period. Management periodically evaluates the need for an allowance for doubtful accounts. At June 30, 2023 and 2022, management has recognized an allowance for doubtful accounts of \$82,561 and \$94,567, respectively.

Note B. Summary of Significant Accounting Policies (continued)

Property, Equipment, and Improvements

Property, equipment, and leasehold improvements are stated at cost or estimated fair market value at date of donation. Depreciation is calculated using the straight-line method over the useful life of the asset, or in the case of leasehold improvements, the lesser of the term of the lease or life of the asset, usually ranging from three to ten years. It is the Organization's policy to capitalize property, equipment, and leasehold improvements over \$1,000.

Asset Impairment

The Organization routinely evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying values, which is principally determined based on projected undiscounted net cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment loss is recognized. No asset impairment charges were recorded during the years ended June 30, 2023 and 2022.

Support and Other Revenue

Contract revenue represents funds received from the County of Sonoma to support the Organization's program. The Organization has determined that contract revenue received is within the scope of the ASC - 958 - 605 *Contributions Received*. As such, contract revenue is recognized as non-exchange contribution revenue in the period the commitment is received.

Rental income and reimbursements represent monies received from sub-lease rental agreements. Rental income is recorded as it is earned, and reimbursements are recorded when utilities and common area maintenance expenses have been incurred.

Advertising Costs

Advertising costs relate to the Organization's mission of promoting tourism within Sonoma County. Advertising costs are expensed when incurred. Advertising expenses amounted to \$2,260,154 and \$3,315,626 for the years ended June 30, 2023 and 2022, respectively.

Income Taxes

The Organization is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(6) and California Franchise Tax Board Code Section 23701(d). However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. The Organization may be subject to taxes on this unrelated business income.

Note B. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2023 and 2022, the Organization has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required, respectively. The Organization's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for state.

Functional Expense Allocation

Expenses that can be identified with a program are charged directly to that program as direct costs. Expenses related to more than one function are allocated on the basis of estimates of time and effort. Administration expenses include those costs that are not directly identifiable with any program but provide for the overall support and direction of the Organization. The allocation is reflected in the statement of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support, and expenses. The use of management's estimates primarily relates to the collectability of accounts receivable, and depreciable lives of property, equipment, and improvements, and indirect functional expense allocations. Actual results could differ from those estimates.

Recent Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases* ("Topic 842"), to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. For nonpublic companies the new guidance is required for annual reporting periods beginning after December 15, 2021, and interim and annual reporting periods after those reporting periods. The Organization adopted Topic 842 effective July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has also elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of Topic 842 as of July 1, 2022.

Years Ended June 30, 2023 and 2022

Note B. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Adopted (continued)

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of approximately \$1,477,520, at July 1, 2022. The adoption of the standard did not impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Note C. Property, Equipment, and Improvements

Property, equipment, and improvements consist of the following as of June 30:

	2023	2022
IT hardware	\$ 206,586	\$ 193,245
Work in progress	222,500	-
Furniture and fixtures	114,038	114,038
Office equipment	58,311	58,311
Leasehold improvements	45,387	45,387
Software	17,216	17,216
	664,038	428,197
Accumulated depreciation	(395,931)	(377,301)
	\$ 268,107	\$ 50,896

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$18,631 and \$19,153, respectively.

Years Ended June 30, 2023 and 2022

Note D. Accumulated Vacation

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The carrying value of accumulated vacation at June 30, 2023 and 2022 was \$113,581 and \$76,064, respectively, and is reported within accrued expenses on the statements of financial position.

Note E. Paycheck Protection Program Loan

In February 2021, the Organization obtained a loan through the U.S. Small Business Association's Paycheck Protection Program ("PPP") totaling \$446,459. The loan bears interest at 1.0% per annum and will mature in February 2026. Under the stipulations of the PPP, the loan may be forgiven if the funds are used for certain qualifying expenses.

During the year ended June 30, 2022, the Organization received notice that the PPP loan was forgiven. Therefore, the full amount of the loan has been recognized as revenue during the year ended June 30, 2022.

Note F. Net Asset Classification

Net Assets Without Donor Restrictions

All general operating revenues and expenses related to the program activities of the Organization are included in the change in net assets without donor restrictions. From time-to-time portions of net assets are designated by the Organization's board of directors as board designated net assets. The board designated funds consist of funds with no legal restrictions, but through board resolutions have been set aside for specific purposes. A vote of the board is required to make use of the board designated net assets.

Board designated net assets consisted of the following as of June 30:

	2023	2022
Strategic	\$ 2,189,823	\$ 2,189,823
Catastrophic	1,734,431	1,729,278
IT, furniture and equipment	108,646	108,646
Targeted promotions	83,802	83,802
30 60 90 day plan	76,252	76,252
Brand launch	60,000	60,000
Airline attraction	58,843	58,843
Research	25,000	25,000
Total board designated net assets	4,336,797	4,331,644
Undesignated net assets	964,495	2,755,609
Net assets	\$ 5,301,292	\$ 7,087,253

The Organization had no net assets with donor restrictions as of June 30, 2023 or 2022.

Years Ended June 30, 2023 and 2022

Note G. Leases

The Organization leases an office space under non-cancelable operating lease agreements that ends December 31, 2027. The lease includes an option to renew, generally at the Company's discretion, with renewal terms. In addition, the lease contains termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options to extend or terminate the lease are included in the lease terms when it is reasonably certain that the Organization will exercise the option. The Organization's operating lease does not generally contain any material restrictive covenants or residual value guarantees.

Future undiscounted cash flows and a reconciliation to the lease liability recognized on the statement of financial position are as follows as June 30, 2023:

Year ending June 30,	
2024	\$ 284,888
2025	293,434
2026	302,237
2027	311,304
2028	156,032
Total lease payments	1,347,895
Less imputed interest	(85,740)
Total present value of lease liability	1,262,155
Less current maturities	(251,685)
Operating lease liability, net of current maturities	\$ 1,010,470

The Organization's discount rate applied to the lease liability is 2.95%. The rate was determined in reference to the zero-coupon U.S. Treasury instrument for the same period of time as the lease term.

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of June 30, 2022:

Year ending June 30,	
2023	\$ 251,349
2024	281,422
2025	289,865
2026	298,561
2027	307,517
2028	156,031
Total	\$ 1,584,745

Years Ended June 30, 2023 and 2022

Note G. Leases (continued)

The Organization is a lessor in a sub-lease agreement with a similar not-for-profit organization which expires December 2027. The Organization requests reimbursements from the sub-lessee for utilities and other common area maintenance expenses.

Future minimum rental income payments from the sub-lessee as of June 30, 2023:

Year Ending June 30,	
2024	\$ 84,927
2025	87,847
2026	90,831
2027	93,879
Thereafter	47,710
Total	\$ 405,194

Note H. Defined Contribution Retirement Plan

The Organization sponsors a 401(k) defined contribution plan for all employees meeting certain age and service requirements. The Organization contributes a safe harbor match of 100% of the first 3% of compensation and 50% of compensation between 3% and 5%. Additional amounts may be contributed at the option of the Organization. The Organization's contributions to the plan for the years ended June 30, 2023 and 2022 were \$88,774 and \$63,005, respectively.

Note I. Concentration of Credit Risk

The Organization maintains cash balances in several financial institutions. Funds are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At June 30, 2023 the uninsured amount was approximately \$2.3 million in multiple financial institutions. To date, the Organization has not experienced any losses in these accounts. Management believes that the Organization is not exposed to significant deposit risk with respect to its cash deposits.

Note J. Concentration of Income

The Organization is funded by an ordinance dated November 2, 2004, which created the BIA of Sonoma County. These revenues are a self-assessment of lodging properties within the BIA area. If the ordinance were discontinued the Organization would be significantly impacted.

The Organization also receives funds from the TOT, which is assessed and collected by the County of Sonoma. Each year, the County Board of Supervisors decides how much of the total TOT collected will be allocated to the Organization for the promotion of tourism within Sonoma County. Should the tax levy cease to exist, the Organization would be significantly impacted.

Years Ended June 30, 2023 and 2022

Note K. Liquidity

The following reflects the Organization's financial assets, reduced by amounts not available for general use within one year. Financial assets are considered unavailable due to donor-imposed restrictions or governing board use-designations.

<u>June 30,</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,068,938	\$ 3,788,765
Accounts receivable	2,674,579	3,369,665
 Total financial assets	 5,743,517	 7,158,430
Less funds unavailable to management without Board approval	(4,336,797)	(4,331,644)
 Funds available to meet expenditures within one year	 \$ 1,406,720	 \$ 2,826,786

Note L. Subsequent Events

The Organization has evaluated subsequent events through February 20, 2024 the date the financial statements were available to be issued.

Supplementary Information

Sonoma County Tourism Bureau, Inc.
Statement of Activities by Source

Year Ended June 30, 2023

	Transient Occupancy Tax	Business Improvement Area and Other Sources	Total
Revenue without donor restriction and support			
Contracts			
BIA contract	\$ -	\$ 5,659,720	\$ 5,659,720
TOT contract	3,213,148	-	3,213,148
Rental income and reimbursements	-	146,533	146,533
Investment income	-	15,044	15,044
AHP fees	-	1,485	1,485
Total support and other revenue	3,213,148	5,822,782	9,035,930
Expenses			
Salaries and benefits	1,268,500	1,659,853	2,928,353
Advertising	71,436	2,188,718	2,260,154
Digital engagement	1,539,738	506,858	2,046,596
Contract services	48,164	723,053	771,217
Event and organization sponsorship	152,414	302,793	455,207
Client events and entertainment	155,947	227,458	383,405
Facilities	354,557	-	354,557
Professional development and training	218,966	99,856	318,822
Travel and tradeshow	(1,488)	308,803	307,315
Research and development	110,340	144,386	254,726
Fees and licenses	171,945	4,050	175,995
Technology	149,427	6,432	155,859
Destination programming	149,053	-	149,053
Organization tools	45,973	74,212	120,185
Memberships	56,311	19,283	75,594
Office supplies and equipment	23,303	34,925	58,228
Depreciation	18,631	-	18,631
Bad debt expense (recovery)	-	(12,006)	(12,006)
Total expenses	4,533,217	6,288,674	10,821,891
Change in net assets	\$ (1,320,069)	\$ (465,892)	\$ (1,785,961)

Sonoma County Tourism Bureau, Inc.
Statement of Activities by Source

Year Ended June 30, 2022

	Transient Occupancy Tax	Business Improvement Area and Other Sources	Total
Revenue without donor restriction and support			
Contracts			
BIA contract	\$ -	\$ 6,245,589	\$ 6,245,589
TOT contract	3,824,197	-	3,824,197
Rental income and reimbursements	-	446,459	446,459
Cooperative income	-	259,994	259,994
AHP fees	-	3,015	3,015
Investment income	-	3,306	3,306
Total support and other revenue	3,824,197	6,958,363	10,782,560
Expenses			
Advertising	1,447,070	1,868,556	3,315,626
Salaries and benefits	695,665	1,708,104	2,403,769
Digital engagement	73,801	798,903	872,704
Contract services	58,012	523,453	581,465
Destination programming	265,323	66,238	331,561
Travel and tradeshow	-	286,641	286,641
Client events and entertainment	13,062	257,571	270,633
Event and organization sponsorship	87,180	177,458	264,638
Facilities	256,381	-	256,381
Research and development	2,400	248,009	250,409
Professional development and training	157,511	35,020	192,531
Fees and licenses	167,340	-	167,340
Technology	160,691	-	160,691
Organization tools	31,750	73,122	104,872
Bad debt expense	-	94,567	94,567
Office supplies and equipment	31,979	28,385	60,364
Memberships	31,696	10,165	41,861
Depreciation	19,153	-	19,153
Total expenses	3,499,014	6,176,192	9,675,206
Change in net assets	\$ 325,183	\$ 782,171	\$ 1,107,354

Years Ended June 30, 2023 and 2022

Note A. Basis of Presentation

The schedules included in the Supplementary Information have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Note B. Expenses Reported Under Transient Occupancy Tax

Sonoma County Tourism Bureau receives Transient Occupancy Tax (“TOT”) revenues from the County of Sonoma. Such contract revenues are used to fund projects, programs, and activities to promote tourism in Sonoma County. Expenses reported under TOT activities on the Statements of Activities by Source reflect only direct expenses incurred. The excess of these direct expenses over the TOT revenue are funded by other revenue sources received by the Organization. All indirect expenses have been absorbed by the activities funded by Business Improvement Area contract revenue and other support.