

**SONOMA COUNTY**  
• CALIFORNIA •  
**LIFE OPENS UP**  
**SONOMA COUNTY TOURISM**  
**FISCAL YEAR 2022-2023 ANNUAL REPORT**

TO BE FILED WITH THE OFFICE OF THE CLERK OF SONOMA COUNTY  
PURSUANT TO STREETS AND HIGHWAYS CODE SECTION 36533  
**SUBMITTED: APRIL 15, 2022**

**I.**  
**BACKGROUND**

**A. Sonoma County Tourism Business Improvement Area**

On November 2, 2004, the Sonoma County Board of Supervisors ("Board") adopted Ordinance No. 5525 ("Ordinance") creating the Sonoma County Tourism Business Improvement Area ("SCTB BIA"). Under the Ordinance, lodging establishments generating annual room revenue of \$350,000 or more during the preceding fiscal year must pay an assessment equal to 2% of such revenue. Proceeds from assessments are used to pay for activities designed to increase the number of overnight visitors to the area.

In January 2005, the Board appointed five members to the Sonoma County Tourism Business Improvement Area Advisory Board ("Advisory Board"), a body established pursuant to the Parking and Business Improvement Area Law of 1989 (Streets & Highways Code section 36500 et seq., the "Act") which is charged with advising the Board on the amount of the SCTBBIA assessments and on the services, programs and activities to be funded by the assessments. In 2011, the Board amended the Ordinance, appointing the board of directors of Sonoma County Tourism Bureau, Inc. ("SCTBB") to serve as the Advisory Board for the SCTBBIA. This decision was based on recommendations of a 2010 County audit of the organization.

**B. Sonoma County Tourism Bureau, Inc.**

The Ordinance authorized the County to enter into an agreement with a contractor to carry out the services, activities, and programs to be funded from the assessments, and designated SCTB to serve as the initial contractor. In June of 2005, the Board executed an agreement with SCTB to carry out services, activities and programs promoting tourism to Sonoma County, with funding from both SCTB BIA assessments and from transient occupant tax (TOT) revenue allocated to SCTB by the Board. As noted above, in 2011, the SCTB Board of Directors also was appointed to serve as the Advisory Board. The Ordinance requires a 22-member Board of Directors for SCTB, the composition of which must comply with a matrix that provides representation from each supervisorial district, and from each size category of lodging establishment. Appointments to the SCTB board are made on a pro rata basis in accordance with the respective contributions made to the SCTBB budget by SCTB BIA assessments and by County TOT allocations. The Sonoma lodging industry appoints the number of directors resulting from SCTB BIA assessments, and the Board appoints the number of directors resulting from TOT allocations.

**C. Boundaries**

The SCTB BIA was the first county-wide tourism Business Improvement Area formed in California. For assessments to be collected from lodging establishments within the incorporated cities in the County, the councils of each City had to consent to formation of the SCTB BIA. Consent was given by the Cities of Santa Rosa, Petaluma, Rohnert Park, Sebastopol, Cloverdale and Cotati, and the Town of Windsor. Accordingly, the boundaries of the SCTB BIA include the territory within the boundaries of those seven cities plus all of the unincorporated territory within the County. These boundaries have remained unchanged since the SCTB BIA was formed, and SCTB does not recommend any changes to the boundaries in the upcoming year.

#### **D. Assessment**

Lodging establishments within the boundaries of the SCTB BIA generating annual room revenue of \$350,000 or more during the preceding fiscal year must pay an assessment equal to 2% of such revenue. Lodging establishments in the unincorporated territory of the County forward the assessment to the County tax collector. Lodging establishments in the municipalities that consented to formation of the SCTB BIA allocate the assessments to the collecting entities within their respective municipalities. Those collecting entities, in turn, remit the collected assessments to the County in accordance with written agreements between the County and each municipality.

#### **E. Purpose and Specific Benefit**

The Ordinance requires that revenues from assessments must be used to conduct marketing activities designed to increase overnight visits to the area. The term “area” is defined as the territory within the boundaries of the SCTB BIA, and the term “marketing activities” is defined as activities designed to market the area as a tourist destination, including the expenditure of funds to place advertising in any media, conduct public relations campaigns, perform marketing research, promote conventions and trade shows, and foster improved contacts within the travel industry, for the purpose of promoting tourism within the area. Revenues from assessments may be used for programs, services, and activities outside the area, if such programs, services, and activities are designed to promote and encourage overnight visits to the area. Revenues from assessments may also be used to pay the ongoing administrative costs associated with the marketing activities.

The focus on increasing overnight visits to the area constitutes a specific benefit to the lodging establishments that pay the assessments. This specific benefit is what distinguishes the assessments from taxes that are subject to voter approval requirements. The fact that others may receive incidental benefits from the expenditure of assessments, such as restaurants, attractions, wineries, retailers and parks, does not change the characterization of assessments as a specific benefit to lodging establishments because no additional cost is imposed on the lodging establishments to provide those incidental benefits. During 2021, with the continued impact of the COVID-19 global pandemic, SCTB shifted some of its focus to providing consumer insights and industry monitoring to help keep the tourism industry aware of the constantly shifting environment.

#### **F. Annual Report**

Pursuant to Ordinance, and in accordance with section 36533 of the Act, the SCTB must present an Annual Report to the Board for its approval that includes a program of activities intended to be implemented within the SCTB BIA during the upcoming fiscal year, together with an estimate of related expenditures (**Section II a,b**). The SCTB must also include in the Annual Report an outline of the previous year’s revenues and how those revenues were spent. (**Section III**) The SCTB obtains annual audits from independent auditors each year (**Section III**). The most recent annual audit is submitted as part of this Annual Report, providing a detailed analysis of the sources and uses of funds. Looking forward, the annual budget for the upcoming year submitted herewith describes the anticipated revenues and expenditures (**Section II**). The balance of this Annual Report will provide additional information concerning programs and activities completed in the prior year (**Section IV a,b**), as well as those planned for the upcoming year (**Section II**). The Board’s consideration and requested approval of this Annual Report is the act which constitutes the levy of the assessment for the upcoming year.

**Section II (a)**  
**ANTICIPATED USE OF REVENUE FOR FY22-23**

**A. Fiscal Year 2022-2023 BIA Revenue**

For fiscal year 2022-2023, SCT projects BIA revenue of \$6,160,496. This represents growth of 3.8% over the projected year-end BIA collection of \$5,937,324 in FY21-22. In FY21-22, SCT projected a faster than industry standard destination recovery and was accurate in its forecast. Revenue into the County for both Transient Occupancy Tax and the BIA program far exceeded expectations.

**B. Fiscal Year 2022-2023 TOT Revenue**

For fiscal year 2022-2023, SCT projects the TOT revenue allocated to the organization will be approximately \$3,052,022, a 3.3% increase over the projected FY21-22 total of \$2,955,351. TOT collection far exceeded anticipated growth due to higher-than-expected revenue within the vacation rental sector.

**C. Recommendation**

SCTB, in its capacity as the Advisory Board, recommends that the Board confirm this Annual Report and continue to levy the SCTB BIA annual assessment for Fiscal Year 2022-2023 pursuant to the Parking and Business Improvement Area Law of 1989 (California Streets and Highways Code section 36500 et seq.), subject to the following findings and recommendations:

- 1) That the boundaries of the SCTB BIA should remain the same, with the recognition that the properties within the cities of Santa Rosa, Petaluma, Rohnert Park, Sebastopol, Cloverdale and Cotati, and the Town of Windsor, continue to participate in the SCTB BIA with support from each of the cities;
- 2) that SCTB continue to serve as the Advisory Board for the SCTB BIA;
- 3) that the method and basis of levying the assessment remain unchanged, and in accordance with the terms of the Ordinance in fiscal year 2022 – 2023 (July 1, 2022 – June 30, 2023);
- 4) that the revenues generated by the assessment be used in accordance with the requirements of the Ordinance to conduct marketing activities designed to increase the number of overnight visits to the County; and
- 5) that SCTB retained the services of an independent certified public accounting firm, Pisenti & Brinker and to audit the SCTB financial statements for the 2020-21 fiscal year (July 1, 2020 to June 30, 2021). Their findings continue to show a “clean” report - no material weaknesses or significant audit findings were found in relation to SCTB’s books and records. This report is included with this document. SCT will continue to conduct annual audits with County-approved firms.

**D. Activities, Marketing, Advertising, and Public Relations Program Expenditures**

The programs listed herein are fundamental to the success of a destination organization. As tourism marketing evolves, so too does the types of programming and channels required to disseminate the messages. Below is an outline of the current categories of work for the FY22-23 year, the programs contained therein and the associated budget.

## **1. Paid Advertising**

As Sonoma County emerges into recovery, paid advertising will be done mostly on digital platforms within key travel endemic sites as well as our owned social media channels. Paid media during FY22-23 will be conducted in key direct flight markets including: Los Angeles, Dallas, Phoenix, Portland, Seattle, Phoenix. For FY22-23, SCT will recommit to a paid marketing cycle of full intent marketing November – April and Responsible Travel messaging May – October. The campaign will also have an “always on” social, search and content marketing initiative that will help ensure Sonoma County is top of mind throughout the year.

SCT has, for the first time in three years, placed Global Marketing Campaigns back into the Paid Advertising category. For FY22-23, SCT will be working in the United Kingdom, Germany and Australia. These markets are selected due to the direct benefit to BIA collectors. Travelers from these markets will need an overnight stay.

### FY22-23 Budget:

Paid Media: \$1,998,000

Global Media Campaign: \$150,000

## **2. Marketing Materials (Print & Digital) and Distribution**

For FY22-23, the lion share of consumer marketing materials continue to transition to the digital space. The only large-scale printed piece is the map, which has been reprinted each year. The semi-annual digital visitors guide has proven to be very successful with both general consumer engagement and conversion to drive business to partner businesses. SCT will continue to create niche publications that address important industry sectors such as weddings, business meetings. The guides will be distributed through customized outreach to planners in each of the group, including consumers, travel trade and meeting/event planners.

During FY22-23, SCT will work with its contractor, Miles Media, to reimagine the SonomaCounty.com website. SCT also will continue to elevate the new Sonoma County app it launched in FY21-22 adding exciting new value for users. The website is the destination’s leading information source and includes a Places to Stay navigation tab as well as a wide variety of experiences designed to showcase BIA participants and reasons for travelers to stay longer in the destination.

This section also includes the critical Content program. This is the social media postings and information conveyed via the website that offers visitors insights into events, new openings, and other reasons to visit.

### FY22-23 Budget:

Website development: \$333, 000

Media tools: \$43,016

Email campaigns: \$35,000

Photography & Video: \$330,150

Content: \$176,400

## **3. Trade Shows and Sales Missions**

During FY22-23 SCT will reenter the trade show and sales missions environment. On both the domestic and international levels, SCT will promote the destination to critical planners at each show. During FY22-

23, SCT will attend 14 trade shows in the US and Europe. As important as trade shows, meeting with planners through personal engagement will be key to success. During FY22-23, SCT is planning at least quarterly client events, with a large multi-channel event planned for the Spring – location is yet-to-be-determined. These events target key meeting planner and travel trade professionals as well as local media contacts. During FY22-23, SCT will take the opportunity to elevate relationships one step further through increased in-person visits to meeting planners, and introduce SCT to planner teams, travel trade agencies and other significant influencers.

FY22-23 Budget:

Trade Show – Travel (both domestic and international travel): \$91,000

Trade Show – Shipping: \$16,600

Trade Show – On-site Expenses: \$193,905

**4. Sales and Marketing Promotions**

With much of this industry segment shuttered during the pandemic, SCT is launching a renewed effort with robust outreach to meeting planners and the domestic and international travel trade. The budget for these programs can be found within several categories, so the focus here will be on programming and associated budget for direct outreach to clients and use of international representative contractors to reach travel trade in three international markets.

FY22-23 Budget

Client Events: \$224,000

Meals and Entertainment: \$14,900

Site Tours: \$92,600

Promotional Items: \$38,650

Group Business Development Incentive: \$78,000

International Representation: \$250,800

**5. Destination Development**

During FY21-22, SCT launched its master planning initiative with the Coraggio Group. This effort will continue in full during FY22-23. The process includes three phases: Get Clear, Get Focused, Get Moving. This is a nine-month process that we anticipate concluding in FY22-23 with recommendations for SCT and the County to consider to move the destination forward. SCT's Accredited Hospitality Professional (AHP) program is included in this area. This program helps elevate the professionalism of employees in the tourism and hospitality area:

With an organizational commitment to sustainability and responsible travel, SCT includes the work done on behalf of this initiative in this category. In FY22-23, SCT will produce a sustainability focused video and continue its partnerships with Leave No Trace and Kind Traveler.

Not included in any of the stated categories, SCT will bring back funding to sponsor local events and other business development opportunities that raise awareness of Sonoma County within key travel planners. These events help drive visitation and certainly increase “heads in beds” helping drive a benefit for BIA participants. Use of this portion of the budget is highly dependent on the event organizers to notify SCT of the opportunity and provide a proposal showing a solid ROI and capacity of the event to drive overnight

visitors. This helps develop the destination, so the budgets for these sponsorships are included in this category.

FY22-23 Budget:

Destination Master Plan: \$30,000

AHP Program: \$17,7523

Sustainability Programming: \$62,600

Community Event Partnerships: 73,500

Marketing Partnerships: \$47,500

Industry Sponsorships: \$191,000

To note: SCT also proposed in its FY22-23 SCT Board-approved budget, adding funding for county-wide visitor centers, taking on the program currently administered by the Economic Development Board. Funding for this program, estimated for FY22-23 at \$400,000 must come from TOT taxes rather than the BIA program.

**6. Research**

To maintain competitiveness and gauge effectiveness of programs, the SCTB conducts ongoing proprietary research as well as purchasing customized reports from tourism industry organizations. During FY22-23, SCTB will continued its contract with Longwoods International for general visitation research and marketing campaign effectiveness.

During FY21-22 SCT contracted with Tourism Economics to provide a dashboard giving insight into the entire tourism ecosystem. SCT will continue that program in FY22-23.

FY22-23 Budget:

Research Studies as noted above: \$164,990

**7. Public Relations**

With a Public Relations-driven marketing campaign, SCT leads its brand awareness and messaging initiatives with public relations. Stories generated in media outlets provide a tremendous opportunity to educate viewers/readers/listeners in a significant and meaningful way. Public relations also can create interest in partner offerings that cannot always be included in a paid campaign Paid advertising then serves a supporting role in connecting people back to the brand.

For FY22-23, SCT will amplify its public relations efforts through the addition of a PR Manager to assist with the travel trade and business outreach as well as instigate a new Sonoma County “Neighborhoods” program that will help to elevate how each municipality and the unincorporated areas of the County are portrayed on the website and within various digital channels. SCT also will reenter the international PR environment with representation in three to four key global regions. Public Relations will be an important component to reintroducing travelers from these markets to Sonoma County. While components of the budget for this initiative are found in several other budget categories, two will be noted here.

FY22-23 Budget

Press Tours: \$124,500

Contract Services (shared with Marketing – agency of record for integrated marketing/public relations services: \$328,250

## **8. Sales and Marketing Tools**

Funds for sales and marketing tools are used to subscribe to programs that produce sales leads, provide a client training platform as well as to maintain the database systems that track clients, partners and leads and provide a platform for connecting with potential visitors. SCT uses the robust Simpleview database to track all programs included those listed above as well as community engagement outreach.

### FY22-23 Budget:

Database: \$49,900

Sales Tools & Systems: \$46,858

## **9. Labor**

Labor expenses for marketing and communications, group meeting sales and partner development activities will be funded by BIA Assessments. Labor costs for administrative personnel will be funded by TOT revenues. During FY 21-22 SCT provided a standard three percent cost of living increase to its employees. Due to the rate of inflation, SCT has budgeted for a five percent Cost Of Living Adjustment (COLA) for its employees in FY22-23. SCT did reinstate several of the staff positions eliminated during the pandemic.

### FY22-23 Budget:

Wages: \$2,659,305

Payroll Taxes: \$215,418

Employee Benefits: \$160,842

401 (k): \$98,476

Workers Compensation: \$14,909

Car Allowance: \$81,600

Recruitment Expenses: \$,7,788

## **10. Administrative Expenses**

Administrative expenses will be funded by TOT revenues. Given both a reduction in the number of employees and overall revenue coming into the organization, SCTB is committed to taking an efficient approach to all expenses. The category encompasses several sub-categories. This description will provide detail into each:

Technology: This includes the contract with SCT's external IT vendor, licenses for the various platforms needed to conduct business, internet access fees and telephone bills,

Office Supplies and Equipment: This includes repairs and maintenance of office equipment, equipment and small tools – smaller office equipment not included under capital expense, office supplies and the mailing and delivery services.

**Fees & Licenses:** This area covers the majority of the services used by SCT to manage its business. Under this category are bank fees, insurance, professional fees including legal and HR contractor services, and other taxes and licenses.

**Facilities Expense:** During FY21-22 SCT was able to continue with a reduction in the office rent and its consolidation of space with the Sonoma County Vintners. These two factors provided significant cost savings. We do estimate an increase in these costs for the year, however, during the summer months (SCT's current office space agreement expires in Dec. 2022), the organization will determine if it will remain in its current office space, or seek other options.

**FY22-23 Budget:**

Technology: \$138,512  
Office Supplies and Equipment: \$79,665  
Fees & Licenses: \$228,770  
Facilities Expense: \$225,177

**11. Capital Expenditures**

Capital Expenditures are not shown on the organization's general budget, but appear on the balance sheet. SCT estimates it will spend \$10,000 on capital expenditures including computer replacement equipment.

FY22-23 Budget: \$10,000

**12. Reserves**

The SCTB works to have a 3-month (90-day) reserve level to provide funds for significant future cash demands arising from both planned and unplanned events or circumstances. This number has fluctuated during the past two years as revenues have been uncertain. The FY21-22 end of year reserves amount is \$2.5 million. This is due to unexpected higher than forecasted revenues from both BIA and TOT funding streams. The organization aims to have a reserve level of approximately \$1.5 million during FY22-23. This represents a 90-day reserve level. To note, during 2018, the SCTB reduced its reserve target from a 6-month level to a 90-day level.

**FY22-23 Budget:**

Reserves: \$1.5 million

The full budget breakdown including the programs included in the above categories and additional programming follows in Section III. It must be noted, that the numbers included here are a forecast. With Sonoma County's track record of crises, all budgets are estimates and must be carefully monitored to ensure financial and programmatic solvency should a crisis arise.



**Section II (b)**  
**FY22-23 BUDGET**  
**Sources & Uses of Funds - FORECAST**  
**July 1, 2022 - June 30, 2023**

**Revenues**

BIA Assessments	\$ 6,160,496
Transient Occupancy Tax	3,052,023
Interest and Other Income	80,728
Total Revenues	<u>\$ 9,293,247</u>

**Expenditures**

Advertising	\$ 2,148,000
Client Events Fams & Entertainment	524,170
Tradeshows & Sales Missions	301,505
Digital Engagement	917,666
Research, Tools and Memberships	303,417
Contract Services	647,800
Professional Development	264,950
Destination and Industry Programming	900,352
Labor	3,238,340
Administrative Expenses	672,125
Total Uses	<u>\$ 9,918,326</u>

TOTAL REVENUES LESS USES	<u>\$ (625,079)</u>
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**Reserve Usage Capital Items**

Depreciation	\$ 18,600
TOTAL SOURCES LESS USES	<u>\$ (643,679)</u>

### Expense Details FY 2022-2023

<b>Advertising</b>	<b>Budget</b>
Domestic	\$1,998,000
International	150,000
<b>Total</b>	<b>\$2,148,000</b>

<b>Client Events Fams and Entertainment</b>	<b>Budget</b>
Client Events and Meals	\$ 224,000
Site and Press Tours	217,100
Promotional Items	38,650
Travel – Mileage and Local	29,520
<b>Total</b>	<b>\$ 524,170</b>

<b>Tradeshows &amp; Sales Missions</b>	<b>Budget</b>
Event Fees & Expenses	\$ 210,505
Travel	91,000
<b>Total</b>	<b>\$301,505</b>

<b>Digital Engagement</b>	<b>Budget</b>
Website	\$ 333,100
Media Tools	43,016
Email Campaigns	35,000
Photography and Video	330,150
Content	176,400
<b>Total</b>	<b>\$ 917,666</b>

**Expense Details FY 2022-2023 (Cont.)**

<b>Research, Tools and Memberships</b>	<b>Budget</b>
Research Studies	164,990
CRM Systems and Sales Tools	76,758
Memberships	61,669
<b>Total</b>	<b>\$ 303,417</b>

<b>Contract Services</b>	<b>Budget</b>
Account Management	\$ 328,250
Outside Representation	250,800
Design	38,000
Printing	30,750
<b>Total</b>	<b>\$ 647,800</b>

<b>Professional Development</b>	<b>Budget</b>
Industry Education	\$ 35,000
Board & Community Development	44,700
Professional Development	131,200
Meetings and Retreats	54,050
<b>Total</b>	<b>\$ 264,950</b>

<b>Destination &amp; Industry Programming</b>	<b>Budget</b>
Sustainability & Destination Programming	\$492,600
AHP Program	17,752
Community Event Sponsorship	73,500
Marketing Partnerships	47,500
Industry Sponsorship	191,000
Group Business Development Incentive	78,000
<b>Total</b>	<b>\$ 900,352</b>

**Expense Details FY 2022-2023 (Cont.)**

<b>Labor</b>	<b>Budget</b>
Wages	2,659,306
Payroll Taxes and Workers Compensation	230,328
Benefits and 401K	340,919
Temporary Staffing	0
Recruiting	7,788
<b>Total</b>	<b>3,238,340</b>

<b>Administrative Expenses</b>	<b>Budget</b>
Technology	138,512
Office Supplies & Equipment	79,666
Fees and Licenses	228,770
Facilities Expense	225,177
Depreciation	18,600
<b>Total</b>	<b>\$ 690,725</b>

<b>FY22-23 Program Area Percentage of Overall Budget</b>	
Marketing/Public Relations	\$3,493,857 – 35.23%
Research	\$164,990 – 1.66%
Group Business Development	\$1,408,733 – 14.20%
Community Engagement	\$658,861 – 6.64%
Personnel/Professional Development	\$3,369,540 – 33.97%
Administration (other than labor)	\$822,345 – 8.29%
<b>TOTAL</b>	<b>\$9,918,326</b>

### **Section III.**

#### **PROGRAMMING RESULTS REPORT/FINANCIAL AUDIT – FY20-21**

##### **FY20-21 – Programming Results Report/Financial Audit**

The programs and results conveyed below are those that align with the audit conducted by Piscenti & Brinker. This is the most recent full year for both financial settlement and program results.

For the full audit, please see the accompanying audit report.

As part of its biennial strategic plan, SCT determines both overarching and programmatic KPIs. These overarching KPIs are aspirational by design and constructed to be achieved throughout a two-year cycle. As Sonoma County, and the world, emerge from the tremendous impacts of the COVID-19 pandemic, SCT continues to measure its success in a slightly different paradigm than it did pre-pandemic. SCT continues to create and administer programs to drive business to the County and most especially to the BIA properties, but also takes its obligation to inform and support the industry very seriously. Expanded programming around these initiatives was included in the revised FY20-21 and FY21-22 strategic plans. Due to the timing of this report, the last full year for which results have been measured, this annual report will cover FY20-21.

The full annual report may be accessed at: [SCT AR FY20-21.pdf \(sonomacounty.com\)](https://sonomacounty.com/AR/FY20-21.pdf).

Due to the protracted impacts of the pandemic, SCT revised its strategic plan in October 2020 to reflect a very different environment than was occurring in 2019 – the start of the biennial planning cycle. Retaining its commitment that all strategic plans are dynamic, SCT and its board and committees identified ways to pivot the organization and best meet the needs of the BIA program participants and all Sonoma County tourism industry partners. The following report represents results from the revised plan.

Noting the challenges of recovery from the 2019 Kincadee wildfire and impacts of COVID-19, organizational priorities shifted to recognize the need for the organization to monitor and inform. While the focus on driving business remained, additional responsibilities to help bolster the industry were added.

##### ***FY20-21 Revised Organizational Priorities***

###### **Maximize Value of Life Opens Up Brand**

As travel is allowed, the world will be looking forward to opening their lives. No other brand will be as compelling. Coupled with Sonoma County's location on the coast, stunning wide open spaces, proximity to major metropolitan locations and compelling culinary and beverage offerings, the value of "Life Opens Up" has never been more important.

###### **Tenaciously Monitor Budget and Programming**

FY20-21 will be a challenging year from a budget perspective. SCT will need to closely monitor the overall budget and ongoing cashflow. Program teams will then adjust programming to ensure a flexible and responsible approach to budget and program management.

###### **Drive Mission Critical Revenue**

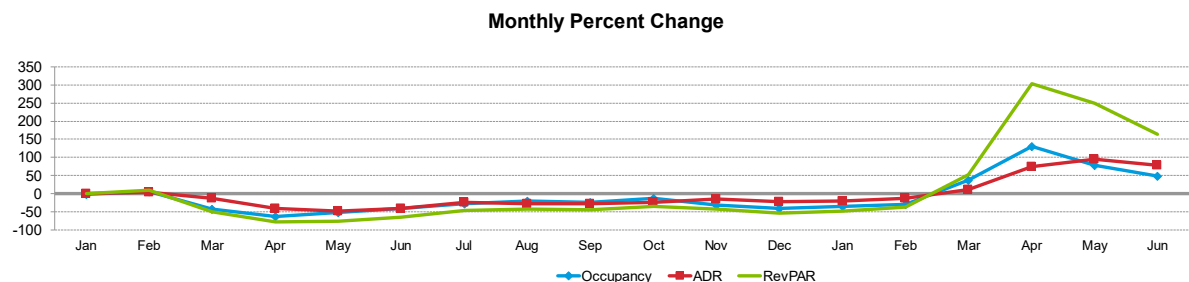
In the COVID-19 environment, and being funded solely by lodging performance allocations, SCT's budget will be severely impacted – at least in the short run. The organization will work to both solidify and diversify its funding streams. At this point, additional funding is not seen as incremental, but fundamental. Through

initiating a Revenue Generation Committee, key opportunities will be identified and initiatives executed to help bring the budget back to pre-COVI-19 levels.

### Key Performance Indicators – Organizational Performance

With these priorities as the bedrock, the Key Performance Indicators (KPIs) were crafted to help meet a high standard of performance and continue to encourage responsible travel – critically important with the behaviors present in travelers during COVID and as a long-term strategic for the destination:

1. Successfully enact a financial model that provides an additional ongoing funding source for SCT.  
*Work began on this initiative, however the financial model has not yet been defined or enacted.*
2. Show steady growth within the key performance metrics including the STR report metrics for Occupancy, ADR and RevPAR.  
*Growth was sporadic with the last months of the fiscal year seeing a sharp increase in performance, even against a pre-pandemic benchmark. The health mandates made “steady” growth impossible. SCT and its [partners did maximize opportunities when they were presented. Performance also was hindered by a challenging workforce situation where many businesses needed to scale back operations to match a reduced workforce. The STR report ending June 30, 2021, shows the tale of the tape:*



3. Social and web engagement and inquiries from key advertised markets show month-over-month growth during advertising flights and seasonal campaigns.  
*During the key annual campaign period of spring/summer (March – June 2021), ST’s advertising campaign achieved steady month-over-month growth in website traffic, engagement and inquiries (guide orders, digital guide views, print map orders, Enews subscriptions) from advertised markets (San Francisco Bay Area, Los Angeles, secondary California markets, and out-of-state flight markets including Seattle, Portland, Dallas and Phoenix). Paid social media was strategically deployed to launch the new digital inspiration guide in April and to drive traffic and inquiries throughout the year.*

*Campaign effectiveness was measured for the spring/summer campaign. The results were astounding.*

- *The campaign produced 1.5 million incremental trips to Sonoma County that otherwise would not have materialized in the absence of advertising, the vast majority of incremental trips were taken by California residents.*
- *Those incremental Sonoma County visitors spent \$163.7 million while in Sonoma County. When related to advertising costs of \$0.8 million, this translates into a return on investment of \$203 in visitor spending for each ad dollar spent.*

- *Those incremental expenditures yielded \$16.6 million in state and county taxes. The return on investment is \$21 in taxes for each ad dollar spent.*

*The fall season campaign of 2020 showed a different growth pattern due to typical seasonal travel planning behavior prioritizing growth in the early part of the campaign. The course of the pandemic exhibited a worsening trajectory in late fall and through the winter, which dampened month-over-month advertising growth. Looking at the year-over-year comparison, the website overall generated more than 2.6 million sessions/visits in FY20-21 representing an increase of 17% year-over-year. Display/programmatic advertising traffic to the website grew to 215% year-over-year with a 276% year-over-year growth in conversions/engagements. Organic social media generated an increase of 11% in traffic to the website and an increase of 36% in conversions. The campaign was greatly enhanced by the lack of a major fire that impacted either the physical area or the air quality. This provides SCT much needed forward momentum.*

4. Create and market group business incentive program, enhance partner insights, manage lead generation to meet market needs.

*As the pandemic continued to put the breaks on leads, the Business Development team shifted its focus to creating information and materials that will be essential tools for planners considering Sonoma County once recovery begins. The team also provided monthly reports and market segment insights to help partners make informed decisions. These were provided to partners via SCT's Performance and Insights newsletter, specialty newsletters to county-wide lodging properties and during virtual Business Development Committee meetings. As lead volume returned in the spring of 2021, it did so a pre-pandemic volume. This rate continued until the Delta variant once again stalled meeting planning at the close of the fiscal year.*

5. Provide ongoing insights and business building/cooperative opportunities to partner businesses through Performance and Insights newsletters and Partner-specific communications.  
*Partners received frequent information through these focused newsletters. Information of an immediate nature was distributed through Partner Alerts. These occurred during the fires crises as well as when health mandates changed.*

6. Continue to engage, listen, monitor sentiment, and provide information as needed to local residents. Engage CTAs to convey SCT messages and monitor sentiment.  
*SCT very definitely continued to engage with its key local stakeholders. The SCT Community Engagement team instituted a new Accredited Hospitality Professional (AHP) program designed to provide robust education and community awareness programming elevating the professionalism and selling potential of the area hospitality industry.*

7. Manage Safe Travels Promise – identify program integration and uses, success stories and timeframe.  
*SCT worked with a variety of community partners to continue to convey and post messages around the Safe Travels Promise. This was amplified by the partnership with the Sonoma County Regional Parks and Leave No Trace for a comprehensive responsible travel program.*

#### Section IV (a). **FY21-22 – (Current) Year-to-Date Programming Results and Financials**

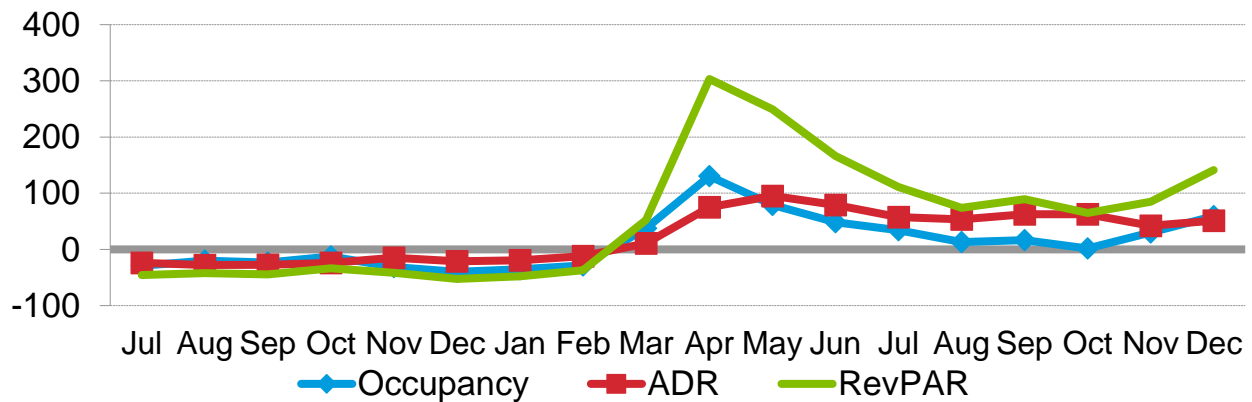
To note: As of this writing (April 15, 2022), SCT has programming results for the first six months of the fiscal year (July 1 – December 31, 2021). Results from the second half of the year will be available in the organization's annual report it compiles at years' end and presents at the organization's Annual General Meeting as stated in the SCTB Bylaws: *an annual report will be prepared not later than 120 days after the close of the Corporation's fiscal year.*

FY21-22 is the first of the two-year strategic plan crafted by the organization. This plan is different from years past in that it truly sticks to the strategy and leaves the tactical action plans to each department.

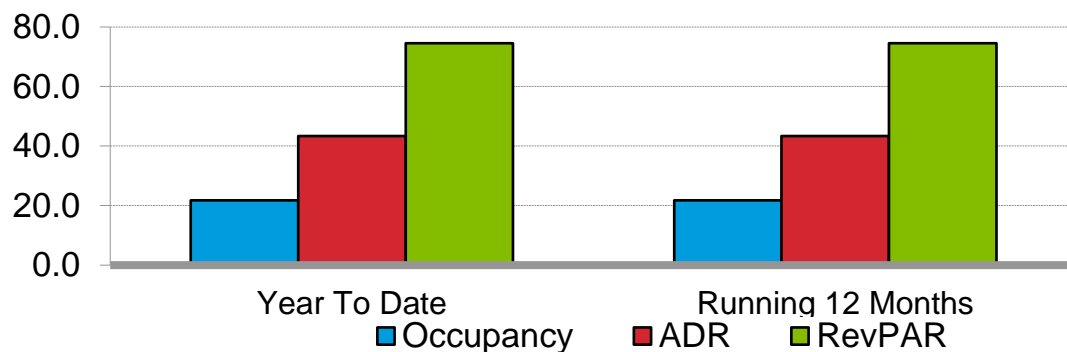
The full FY21-23 Strategic Plan may be accessed at: [SCT-Strategic-Plan-FY21-23.pdf \(sonomacounty.com\)](https://sonomacounty.com/SCT-Strategic-Plan-FY21-23.pdf)

Overall Industry Performance. SCT is charged with driving overnight visitation and one key benchmark of this is the Smith Travel Research (STR) report. This report shows a dramatic uptick in overnight stays during the summer season, a leveling off, but still ahead of year-over-year performance.

**STR Performance (18 months July 1, 2021 through December 31, 2022)**



**Overall Percent Change**





All programming must ladder up to the organization's three key priorities as outlined in the strategic plan:

1. Business Recovery
2. Destination Stewardship
3. Organizational Sustainability

### Organizational Strategic Organizational Key Performance Indicators (FY22-23) – Year-to-Date Results

1. Reenergize Sonoma County's tourism industry through a robust program that drives business, elevates the industry through education and creates destination champions.

#### Paid/Earned/Owned Media Campaign

In the first half of FY21-22, SCT found opportunities to mount a paid advertising campaign, ensuring visitation was allowed and health mandates did not pose obstacles. Through a robust integrated marketing/PR campaign, that focused on wellbeing, the organization promoted Sonoma County to key regional markets with heavy focus on the San Francisco Bay Area and Sacramento. These are travelers who are very familiar with Sonoma County, but are also those most likely to travel by car – the most favored mode of transportation during this time.

#### Topline Spring/Summer Campaign Results:

- Advertising Impressions: 146,423,919
  - Clicks to the Website: 347,321
  - Engagements: 95,162
  - Leads: 44,918
  - Intent to Travel Actions: 16,000
- Web Sessions: 1,576,006
  - Unique Visitors: 1,201,609
  - Pageviews: 2,993,602
  - Campaign Pageviews: 73,589
  - Inspiration Guide views: 19,997
  - E-news sign-ups: 7,566
  - Accommodation listings views: 182,820
  - Partner special offers views: 6,301
- PR Placements: 262
  - PR Reach: 907,657,818 impressions
  - Average Barcelona Principles Score: 6.80/10
- Return-On-Investment (calculated by Longwoods International):
  - The campaign generated 1.5 incremental trips
  - Visitors spent \$163.7 million as a result of the advertising
  - Campaign returned in state and local taxes
    - \$16.6 million in state and county taxes.
    - Return on investment of \$21 in taxes for each ad dollar spent.
  - Overall return on investment 203:1. For every dollar spent on this campaign, \$203 came back to the County. (Previous campaign ROI was \$166:1)



2. Create and manage group (business and leisure) leads ensuring partners realize business at levels that surpass pre-pandemic levels.

The Business Development team was completely reorganized at the beginning of FY 21-22. The team is taking a results-driven approach to selling the destination and promoting its BIA partner properties. During the first six months of the fiscal year, the team got back on the road, working trade shows and creating interest in Sonoma County through one-on-one connections with meeting planners.

#### Trade Shows Attended

Organization	Show	Dates	Location	Planner Contacts
NorthStar	Destination California	Oct 7 - 8	Coronado, CA	19
IMEX	IMEX America	Nov 8 - 11	Las Vegas, NV	142
Connect Meetings	Pacific-Northwest	Nov 15 - 16	Seattle, WA	22
Connect Meetings	Medical & Technology	Nov 29- Dec 1	Washington D.C.	26
Visit California	Meetings Roadshow	Dec 6 - 8	Chicago, IL & Minn., MN	150
Connect Meetings	California & Southwest	Dec 9 - 10	Long Beach, CA	35
<b>TOTAL PLANNER CONTACTS:</b>				<b>394</b>

#### Meeting Planner Focus Group

The team also created an innovative in-market meeting planner focus group. This event brought eleven meeting planners into Sonoma County for a 30day immersions. Many of these planners had never been to the destination. The event concluded with a focus group held with Sonoma County lodging properties at which the planners provided candid remarks about what they liked and what needed improvement.

Based on the first six months of work, the Business Development team has generated:

- 1,608 room nights – influenced by SCT’s involvement
- \$280.83 average daily rate
- \$451,754 contracted room revenue
- \$509. 013 – overall revenue generated

3. Continue to communicate a commitment to destination stewardship, positioning Sonoma County as a leader in sustainable travel.

SCT entered into a partnership with The Sonoma County Regional Parks and Leave No Trace in FY20-21. Not only has SCT continued its partnership with Leave No Trace, but has taken this program to a new level.

- Moving into the second phase of its partnership, the following activities took place:
  - Local Stakeholder Listening Sessions
  - Stakeholder Survey
  - Communications Training for SCT and the Regional Parks
  - Hot Spot selection – specialized group of Leave No Trace professional will come to Sonoma County
  - Tri-County Partnership – Sonoma County, Mendocino County, Marin County. Discussions around integrating Leave No Trace principles.
  - A five-year strategic framework for the partnership was crafted.
  - SCT worked with tourism industry conferences to position Sonoma County as a leader in the sustainable tourism space. Upcoming engagements include The Travel Sustainability and Accessibility Conference and the Travel and Tourism Research Association's International Conference.
- In collaboration with the Sonoma County Regional Parks, and the Russian River Confluence, SCT created a Rewards for Rubbish program that integrates the seven principles of Leave No Trace.
- SCT continues its partnership with Kind Traveler and has appeared in regional and international media stories regarding this partnership.



4. Secure a funding model that will help ensure long-term financial stability for the organization.

SCT has been working with its Revenue Generation Committee and meeting with partners stakeholders and influencers throughout the county to identify the pathway toward an increased and stabilized funding source. To date, more than 25 meetings with partners, 10 meetings with elected officials and monthly meetings of the Committee has allowed SCT to hone its request and set process deadlines.

5. Create and initiate a business development model that seeks to find new markets, heightens current partner opportunities and introduces Sonoma County to more diverse communities.

With its new Business Development team, SCT is determining how to approach this program of work. This initiative has not yet been initiated as of April 2022.

6. Complete foundational components (organizational statement, team inclusion action plan, external communications policies) of a DEI program that mandate the organization's commitment to both internal and external diversity, equity and inclusion.

SCT has developed a draft Diversity, Equity and Inclusion organizational statement. This statement is designed to address internal staffing, make-up of its board and committees, messaging to partners and an evolution of external marketing components to better reflect a more diverse and equitable program of work. This work will continue throughout FY21-22.

7. Identify and staff the organizational structure to meet the needs of SCT for the time period covered in the plan.

SCT is pleased to be at a point in the recovery of the tourism industry to being back staffing to a practical level. Not a pre-pandemic level, but a level that will support programming that makes the most sense for the time being. At present, SCT has a full-time staff of 19 professionals. (Pre-pandemic the staff count ranged from 22-25.)

8. Ensure crisis plan is updated, communicated and executed as planned (if needed).

SCT revisited and communicated the crisis model with its internal team in the August 2021. Each team member is assigned a role and the plan was reviewed for accuracy and timeliness.

SCT also worked with the County's Office of Emergency Management to draft and disseminate crisis messaging specifically designed for vacation rental units. The materials were placed into service during the first half of FY21-22.

Looking ahead into the remainder of FY21-22 and into FY22-23, Sonoma County can expect continued strength in its tourism and hospitality sector. Challenges around workforce and housing will continue to stress the industry.

**Section IV (b)**  
**FY21-22 Forecasted Results (July to January actual, February to June forecasted results)**

**Revenues**

BIA Assessments	\$ 5,937,324
Transient Occupancy Tax	2,955,332
Interest and Other Income	516,099
Total Revenues	<u>\$ 9,408,755</u>

**Expenditures**

Advertising	\$ 2,769,272
Client Events Fams & Entertainment	324,833
Tradeshows & Sales Missions	276,451
Digital Engagement	1,499,843
Research, Tools and Memberships	439,272
Contract Services	570,119
Professional Development	222,635
Destination and Industry Programming	676,220
Labor	2,483,931
Administrative Expenses	604,919

Total Uses **\$ 9,867,495**

TOTAL REVENUES LESS USES **\$ (458,741)**

**Reserve Usage Capital Items**

Depreciation \$ 19,065

TOTAL SOURCES LESS USES **\$ (477,806)**

<b>FY21-22 Program Area Percentage of Overall Budget</b>	
Marketing/Public Relations	\$4,600,512 – 46.6%
Research	\$284,060 – 2.9%
Group Business Development	\$1,119,198 – 11.3%
Community Engagement	\$458,937 – 4.7%
Personnel/Professional Development	\$2,563,004 – 26.07%
Administration (other than labor)	\$841,784 – 8.5%
TOTAL	\$9,867,495

**Sonoma County Tourism Bureau, Inc.**

**Agreed-Upon Procedures  
Performed by Independent Accountant**

**For the Year Ended  
June 30, 2021**



## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Board of Directors  
Sonoma County Tourism Bureau, Inc.  
Santa Rosa, CA

We have performed the procedures enumerated below on compliance with applicable laws and the travel and entertainment expense reimbursement policy of Sonoma County Tourism Bureau, Inc. ("the Organization"), for the year ended June 30, 2021. The Organization is responsible for complying with the travel and entertainment expense reimbursement policy.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of testing compliance with applicable laws and the travel and expense reimbursement policy of Sonoma County Tourism Bureau, Inc. for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We performed agreed-upon procedures as follows:

1. Obtain an understanding of the Organization's employee travel and entertainment expense reimbursement policies and procedures.
2. Select a sample of expenditures spanning July 1, 2020 to June 30, 2021 from a population consisting of all the Organization's employee held credit cards and expenditures reimbursed through payroll. From this sample, determine whether the expenditure would be subject to the policy. If subject to the policy, ensure the expense complies with the reimbursement policy. If the expenditure is not subject to the policy, determine whether it appears to have a valid business purpose and whether the price appears reasonable.
3. Determine whether the reimbursement expenses comply with applicable laws, specifically Chapter 33 Section 4 of the Sonoma County Municipal Code (authorized uses of business improvement funds) and Article XVI, section 6 of the California Constitution (prohibition against making a gift of public funds).

Below is a summary of results based on the documentation reviewed.

### ***Procedure 1:***

Pisenti & Brinker LLP ("P&B") obtained an understanding of the policy by reviewing the Organization's travel and entertainment expense – policies and reporting procedures manual effective July 1, 2019.

***Procedure 2:***

P&B selected a sample of expenditures from July 1, 2020 to June 30, 2021 and determined whether each expenditure was in compliance with the travel and entertainment expense reimbursement policy or, if this was not applicable, appeared to have a valid business purpose. P&B selected all expenditures incurred by the CEO and CFO and 25% of all other employee expenditures for the period under review. The total number of expenditures tested was 200.


***Procedure 3:***

P&B determined whether the expenses complied with applicable laws, specifically Chapter 33 Section 4 of the Sonoma County Municipal Code (authorized uses of business improvement funds) and Article XVI, section 6 of the California Constitution (prohibition against making a gift of public funds). P&B noted no instances where expenditures did not comply with applicable laws.

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with applicable laws and the travel and entertainment expense reimbursement of Sonoma County Tourism Bureau, Inc. for the year ended June 30, 2021. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Sonoma County Tourism Bureau, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management and directors of Sonoma County Tourism Bureau, Inc. and the County of Sonoma, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "P. P. & B. Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California  
March 23, 2022





***Sonoma County Tourism Bureau, Inc.***

***For the Years ended June 30, 2021 and 2020***

***Financial Statements with Supplementary Information  
and  
Independent Auditor's Report***



**PISENTI & BRINKER LLP**  
Certified Public Accountants & Advisors

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## **Independent Auditor's Report**

Board of Directors  
Sonoma County Tourism Bureau, Inc.  
Santa Rosa, California

## **Report on the Financial Statements**

We have audited the accompanying financial statements of Sonoma County Tourism Bureau, Inc. (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, 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 responsibility 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 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 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.

## **Independent Auditor's Report (continued)**

### **Auditor's Responsibility (continued)**

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 the Sonoma County Tourism Bureau, Inc. as of June 30, 2021 and 2020, 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.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the years ended June 30, 2021 and 2020, as a whole. The accompanying supplementary information for the years ended June 30, 2021 and 2020 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 for the years ended June 30, 2021 and 2020 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, 2021 and 2020 is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Pimental & Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California

March 23, 2022

**Sonoma County Tourism Bureau, Inc.**  
**Statements of Financial Position**

<b>June 30,</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,665,636	\$ 3,527,845
Accounts receivable	1,982,105	1,195,094
Inventory	14,468	57,157
Prepaid expenses and other assets	327,591	333,311
<b>Total current assets</b>	<b>6,989,800</b>	<b>5,113,407</b>
<b>Noncurrent assets</b>		
Property, equipment and improvements, net	64,792	55,596
Deposits	26,122	26,122
<b>Total non-current assets</b>	<b>90,914</b>	<b>81,718</b>
<b>Total assets</b>	<b>\$ 7,080,714</b>	<b>\$ 5,195,125</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 465,906	\$ 108,500
Accrued expenses	188,450	150,800
<b>Total current liabilities</b>	<b>654,356</b>	<b>259,300</b>
<b>Noncurrent liabilities</b>		
<b>Paycheck Protection Program loan</b>	<b>446,459</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,100,815</b>	<b>259,300</b>
<b>Net assets without donor restrictions</b>	<b>5,979,899</b>	<b>4,935,825</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,080,714</b>	<b>\$ 5,195,125</b>

See accompanying Notes to Financial Statements

**Sonoma County Tourism Bureau, Inc.**  
**Statement of Activities**

**For the Year Ended June 30, 2021**

	Net assets without donor restrictions	Net assets with donor restrictions	Total
<b>Support and other revenue</b>			
Contract revenue			
BIA contract	\$ 3,643,836	\$ -	\$ 3,643,836
TOT contract	2,263,883	-	2,263,883
Rental income and reimbursements	105,803	-	105,803
Cooperative income	16,000	-	16,000
CTA fees	6,153	-	6,153
Investment income	2,397	-	2,397
<b>Total support and other revenue</b>	<b>6,038,072</b>	<b>-</b>	<b>6,038,072</b>
<b>Expenses</b>			
Program services	3,822,695	-	3,822,695
Management and general	1,171,303	-	1,171,303
<b>Total expenses</b>	<b>4,993,998</b>	<b>-</b>	<b>4,993,998</b>
<b>Change in net assets</b>	<b>1,044,074</b>	<b>-</b>	<b>1,044,074</b>
<b>Net assets at beginning of year</b>	<b>4,935,825</b>	<b>-</b>	<b>4,935,825</b>
<b>Net assets at end of year</b>	<b>\$ 5,979,899</b>	<b>\$ -</b>	<b>\$ 5,979,899</b>

See accompanying Notes to Financial Statements

**Sonoma County Tourism Bureau, Inc.**  
**Statement of Activities**

**For the Year Ended June 30, 2020**

	Net assets without donor restrictions	Net assets with donor restrictions	Total
<b>Support and other revenue</b>			
Contract revenue			
BIA contract	\$ 4,207,935	\$ -	\$ 4,207,935
TOT contract	1,677,202	-	1,677,202
Rental income and reimbursements	226,559	-	226,559
Investment income	31,354	-	31,354
CTA fees	19,713	-	19,713
<b>Total support and other revenue</b>	<b>6,162,763</b>	<b>-</b>	<b>6,162,763</b>
<b>Expenses</b>			
Program services	4,654,093	-	4,654,093
Management and general	1,490,158	-	1,490,158
<b>Total expenses</b>	<b>6,144,251</b>	<b>-</b>	<b>6,144,251</b>
<b>Change in net assets</b>	<b>18,512</b>	<b>-</b>	<b>18,512</b>
<b>Net assets at beginning of year</b>	<b>4,917,313</b>	<b>-</b>	<b>4,917,313</b>
<b>Net assets at end of year</b>	<b>\$ 4,935,825</b>	<b>\$ -</b>	<b>\$ 4,935,825</b>

See accompanying Notes to Financial Statements

**Sonoma County Tourism Bureau, Inc.**  
**Statement of Functional Expenses**

**For the Year Ended June 30, 2021**

	Program Services	Management and General	Total
<b>Personnel</b>			
Salaries and wages	\$ 1,212,254	\$ 427,045	\$ 1,639,299
Employee benefits	124,454	41,502	165,956
Payroll taxes	89,989	27,133	117,122
Recruiting	-	6,836	6,836
Personnel subtotal	1,426,697	502,516	1,929,213
<b>Operating</b>			
Advertising	1,285,291	-	1,285,291
Digital engagement	435,910	2,099	438,009
Facilities expense	-	253,784	253,784
Research and development	139,060	7,000	146,060
Technology	-	134,901	134,901
Contract services	98,262	25,541	123,803
Fees and licenses	-	117,391	117,391
Destination programming	113,764	-	113,764
Office supplies and equipment	90,550	14,047	104,597
Organization tools	64,178	30,000	94,178
Client events and entertainment	89,458	1,195	90,653
Memberships	14,916	34,387	49,303
Travel and tradeshow	41,066	-	41,066
Depreciation	-	30,159	30,159
Professional development and training	6,786	18,283	25,069
Event and organization sponsorship	16,757	-	16,757
Operating subtotal	2,395,998	668,787	3,064,785
Total expenses	\$ 3,822,695	\$ 1,171,303	\$ 4,993,998

See accompanying Notes to Financial Statements



**Sonoma County Tourism Bureau, Inc.**  
**Statement of Functional Expenses**

**For the Year Ended June 30, 2020**

	Program Services	Management and General	Total
<b>Personnel</b>			
Salaries and wages	\$ 1,485,331	\$ 518,030	\$ 2,003,361
Employee benefits	182,782	56,538	239,320
Payroll taxes	112,863	29,765	142,628
Recruiting	-	9,918	9,918
Personnel subtotal	1,780,976	614,251	2,395,227
<b>Operating</b>			
Advertising	763,051	-	763,051
Contract services	578,728	24,310	603,038
Facilities	-	379,260	379,260
Digital engagement	339,383	612	339,995
Research and development	211,847	-	211,847
Client events and entertainment	186,107	1,342	187,449
Fees and licenses	-	178,234	178,234
Event and organization sponsorship	175,200	-	175,200
Travel and tradeshow	155,335	-	155,335
Other expense	154,116	-	154,116
Technology	19,012	113,176	132,188
Professional development and training	57,398	59,128	116,526
Destination programming	105,670	-	105,670
Office supplies and equipment	77,374	17,411	94,785
Organization tools	36,037	42,331	78,368
Depreciation	-	46,226	46,226
Memberships	13,859	13,877	27,736
Operating subtotal	2,873,117	875,907	3,749,024
Total expenses	\$ 4,654,093	\$ 1,490,158	\$ 6,144,251

See accompanying Notes to Financial Statements

**Sonoma County Tourism Bureau, Inc.**  
**Statements of Cash Flows**

<b>Year Ended June 30,</b>	<b>2021</b>	<b>2020</b>
	<b>Increase (decrease) in cash and cash equivalents</b>	
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 1,044,074	\$ 18,512
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	30,159	46,226
(Increase) decrease in operating assets:		
Accounts receivable	(787,011)	864,363
Inventory	42,689	(4,277)
Prepaid expenses and other assets	5,720	(263,005)
Increase (decrease) in operating liabilities:		
Accounts payable	357,406	(313,968)
Due to other organizations	-	(6,000)
Accrued expenses	37,650	(499,750)
Net cash provided by (used in) operating activities	730,687	(157,899)
<b>Cash flows from investing activities</b>		
Maturity of investments	-	1,899,909
Purchase of property, equipment and improvements	(39,355)	-
Net cash (used in) provided by investing activities	(39,355)	1,899,909
<b>Cash flows from financing activities</b>		
Proceeds from Paycheck Protection Program loan	446,459	-
<b>Net increase in cash and cash equivalents</b>	1,137,791	1,742,010
Cash and cash equivalents at beginning of year	3,527,845	1,785,835
Cash and cash equivalents at end of year	\$ 4,665,636	\$ 3,527,845

See accompanying Notes to Financial Statements

**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 the 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.

**Note B. Summary of Significant Accounting Policies (continued)**

*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, 2021 and 2020, management determined that no allowance was necessary.

*Property, Equipment, and Improvements*

Property, equipment, and 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, usually ranging from three to ten years. It is the Organization's policy to capitalize property, equipment, and 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, 2021 and 2020.

*Support and Other Revenue*

Contract revenue represents funds received from the County of Sonoma to support the Organization's program. Revenues are recorded when earned based on the terms of the contracts.

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 are expensed when incurred. Advertising expenses amounted to \$1,285,291 and \$763,051 for the years ended June 30, 2021 and 2020, 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, 2021, the Organization has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. 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*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services. The expenses that are allocated include payroll and payroll related expenses, employee benefits, contract services, technology, professional development and training, and others. These expenses are allocated on the basis of estimates of time and effort.

*Recently Adopted Accounting Pronouncements*

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contribution Received and Contributions Made*, which distinguishes the difference between contributions and exchange transactions. Under the new ASU, an entity will need to evaluate whether the transaction should be accounted for as a contribution (nonreciprocal transaction) which occurs when the resource provider is not itself receiving commensurate value for the resources provided or as an exchange (reciprocal) transaction which occurs when the resource provider is receiving commensurate value in return for the resources transferred. A determination will also need to be made on whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. This ASU is effective for fiscal years beginning after December 15, 2019, with early application permitted. This ASU should not be applied on a retrospective basis. The Organization adopted the provisions of ASU 2018-08 as of July 1, 2020, for the presentation of these financial statements.

*Future Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This standard requires entities that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. For nonpublic companies the new guidance will be required for annual reporting periods beginning after December 15, 2021, and interim and annual reporting periods after those reporting periods. Nonpublic companies and organizations may elect early application, but no earlier than the effective date for public entities. The Organization is evaluating the impact of this standard on the financial statements.

Years Ended June 30, 2021 and 2020

**Note B. Summary of Significant Accounting Policies (continued)**

*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.

**Note C. Property, Equipment, and Improvements**

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

	2021	2020
IT hardware	\$ 187,988	\$ 178,013
Furniture and fixtures	114,038	163,450
Office equipment	58,311	58,311
Leasehold improvements	45,387	45,387
Software	17,216	17,216
	422,940	462,377
Accumulated depreciation	(358,148)	(406,781)
Net book value	\$ 64,792	\$ 55,596

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$30,159 and \$46,226, respectively.

**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, 2021 and 2020 was \$89,870 and \$68,176, 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.

Years Ended June 30, 2021 and 2020

**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 net assets donations 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:

	2021	2020
Strategic	\$ 2,189,823	\$ 2,189,823
Catastrophic	1,729,124	1,728,965
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	\$ 4,331,490	\$ 4,331,331

The Organization had no net assets with donor restrictions as of June 30, 2021 or 2020.

**Note G. Operating Leases**

The Organization is party to a lease agreement as lessee for office space which ends December 31, 2021. Base rent for the space totaled \$208,293 for the year ended June 30, 2021. Under the agreement, the Organization is responsible for utilities expense and disposal costs of any leasehold improvements

The Organization is a lessor in a sub-lease agreement with a similar not-for-profit organization which expires December 2022. The Organization requests reimbursements from the sub-lessee for utilities and other common area maintenance expenses.

Future minimum rent payment commitments total \$209,333 and \$112,718 for the years ending June 30, 2022 and 2023, respectively. Future minimum rental income payments from the sub-lessee are \$68,833 the year ending June 30, 2022.

**Years Ended June 30, 2021 and 2020**

**Note H. Defined Contribution Retirement Plan**

The Organization provides 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, 2021 and 2020 were \$52,454 and \$63,401, 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. From time to time throughout the year, the Organization had cash balances in excess of these limits.

**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 to allocate to the Organization, for the promotion of tourism within Sonoma County. Should the tax levy cease to exist, the Organization would be significantly impacted.

**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. Amounts available include donor-restricted amounts that will meet purpose or time restrictions within the next twelve months from the statement of position date.

June 30,	2021	2020
Cash and cash equivalents	\$ 4,665,636	\$ 3,527,845
Accounts receivable	1,982,105	1,195,094
	6,647,741	4,722,939
Less funds unavailable to management without Board's approval	(4,331,490)	(4,331,331)
Funds available to meet expenditures within one year	\$ 2,316,251	\$ 391,608



**Note L.      Risks and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, the outbreak has negatively affected the Organization's operations for the year presented as well as the period subsequent to year end through the issuance date of this report. The future impact of the outbreak is highly uncertain and cannot be predicted and therefore the Organization cannot estimate the ultimate impact on future financial results.

**Note M.      Subsequent Events**

The Organization has evaluated subsequent events through March 23, 2022, the date the financial statements were available to be issued.

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

**For the Year Ended June 30, 2021**

	Transient Occupancy Tax	Business Improvement Area and Other Sources	Total
<b>Unrestricted revenue and support</b>			
Contracts			
BIA contract	\$ -	\$ 3,643,836	\$ 3,643,836
TOT contract	2,263,883	-	2,263,883
Rental income and reimbursements	-	105,803	105,803
Cooperative income	-	16,000	16,000
CTA fees	-	6,153	6,153
Investment income	-	2,397	2,397
<b>Total revenue and support</b>	<b>2,263,883</b>	<b>3,774,189</b>	<b>6,038,072</b>
<b>Expenses</b>			
Salaries and benefits	502,516	1,426,697	1,929,213
Advertising	-	1,285,291	1,285,291
Digital engagement	43,150	394,859	438,009
Facilities	253,784	-	253,784
Research and development	7,000	139,060	146,060
Technology	134,879	22	134,901
Contract services	25,541	98,262	123,803
Fees and licenses	117,391	-	117,391
Destination programming	-	113,764	113,764
Office supplies and equipment	14,047	90,550	104,597
Organization tools	30,000	64,178	94,178
Client events and entertainment	1,195	89,458	90,653
Memberships	34,387	14,916	49,303
Travel and tradeshow	-	41,066	41,066
Depreciation	30,159	-	30,159
Professional development and training	18,282	6,787	25,069
Event and organization sponsorship	-	16,757	16,757
<b>Total expenses</b>	<b>1,212,331</b>	<b>3,781,667</b>	<b>4,993,998</b>
<b>Change in net assets</b>	<b>\$ 1,051,552</b>	<b>\$ (7,478)</b>	<b>\$ 1,044,074</b>

See accompanying Notes to Supplementary Information

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

**For the Year Ended June 30, 2020**

	Transient Occupancy Tax	Business Improvement Area and Other Sources	Total
<b>Unrestricted revenue and support</b>			
Contracts			
BIA contract	\$ -	\$ 4,207,935	\$ 4,207,935
TOT contract	1,677,202	-	1,677,202
Rental income and reimbursements	-	226,559	226,559
Investment income	-	31,354	31,354
CTA Fees	-	19,713	19,713
<b>Total revenue and support</b>	<b>1,677,202</b>	<b>4,485,561</b>	<b>6,162,763</b>
<b>Expenses</b>			
Salaries and benefits	614,173	1,781,054	2,395,227
Advertising	-	763,051	763,051
Contract services	24,310	578,728	603,038
Facilities	379,260	-	379,260
Digital engagement	612	339,383	339,995
Research and development	-	211,847	211,847
Client events and entertainment	1,897	185,552	187,449
Fees and licenses	178,234	-	178,234
Event and organization sponsorship	-	175,200	175,200
Travel and tradeshow	306	155,029	155,335
Other expense	-	154,116	154,116
Technology	113,275	18,913	132,188
Professional development and training	59,129	57,397	116,526
Destination programming	-	105,670	105,670
Office supplies and equipment	17,269	77,516	94,785
Organization tools	42,331	36,037	78,368
Depreciation	46,226	-	46,226
Memberships	9,028	18,708	27,736
<b>Total expenses</b>	<b>1,486,050</b>	<b>4,658,201</b>	<b>6,144,251</b>
<b>Change in net assets</b>	<b>\$ 191,152</b>	<b>\$ (172,640)</b>	<b>\$ 18,512</b>

See accompanying Notes to Supplementary Information

**Years Ended June 30, 2021 and 2020**

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**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 provide and 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.