



CALIFORNIA CONTRACT
CITIES ASSOCIATION
JUNE 30, 2020

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

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CALIFORNIA CONTRACT CITIES ASSOCIATION

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California Contract Cities Association
Cerritos, California

We have audited the accompanying financial statements of California Contract Cities Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Contract Cities Association as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Santa Ana, California
May 17, 2021



CALIFORNIA CONTRACT CITIES ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

Assets

Current Assets

Cash and Cash Equivalent	\$ 454,359
Membership dues receivable, net of allowance for doubtful accounts of \$4,308	3,450
Prepaid expenses	<u>113,088</u>
Total Current Assets	<u>570,897</u>

Other Assets

Restricted cash, PAC fund	5,932
Restricted cash, Stormwater fund	<u>20,592</u>
Total Other Assets	<u>26,524</u>

Total Assets	<u><u>\$ 597,421</u></u>
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Liabilities

Current Liabilities

Unearned revenues	\$ 102,737
Stormwater fund liabilities	<u>20,592</u>
Total Current Liabilities	<u>135,229</u>

Net Assets

Without third party restrictions	456,260
With third party restrictions	<u>5,932</u>
Total Net Assets	<u>462,192</u>
Total Liabilities and Net Assets	<u><u>\$ 597,421</u></u>

CALIFORNIA CONTRACT CITIES ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	Without Third Party Restrictions	With Third Party Restrictions	Total
Revenues			
Membership dues	\$ 294,000	\$ -	\$ 294,000
Associate members dues	279,440	-	279,440
Fall seminar	37,950	-	37,950
Legislative tour	70,985	-	70,985
Miscellaneous	5,339	-	5,339
Investment income	1,321	-	1,321
Net assets released from restriction	5,140	(5,140)	-
 Total Revenues	 694,175	 (5,140)	 689,035
Expenses			
Program services expense	139,080	-	139,080
Support services expense	614,943	-	614,943
 Total Expenses	 754,023	 -	 754,023
 Change in Net Assets	 (59,848)	 (5,140)	 (64,988)
 Net Assets at the Beginning of the Year	 516,108	 11,072	 527,180
 Net Assets at End of the Year	 \$ 456,260	 \$ 5,932	 \$ 462,192

See Independent Auditors' Report and Notes to Financial Statements

CALIFORNIA CONTRACT CITIES ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities

Change in net assets	\$ (64,988)
Changes in assets and liabilities:	
Membership dues receivable	48,799
Prepaid expenses	(70,588)
Accounts Payable	11,900
Unearned revenues	(67,227)
Other asset	53
PAC fund	<u>5,140</u>
Total Adjustments	<u>(71,923)</u>
Net Cash Used in Operating Activities	<u>(136,911)</u>
Net Decrease in Cash	(136,911)
Cash and Cash Equivalent at the Beginning of Year	<u>591,270</u>
Cash and Cash Equivalent at the End of Year	<u><u>\$ 454,359</u></u>

CALIFORNIA CONTRACT CITIES ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Total Expenses
Annual seminar	\$ -	\$ -	\$ -
Fall seminar	38,037	-	38,037
Legislative tour	50,183	-	50,183
President's fund	-	2,429	2,429
Accounting	-	21,758	21,758
Awards and gifts	-	159	159
Bank fees	-	66	66
Committee expense	-	4,734	4,734
Dues and sponsorships	-	6,900	6,900
Executive board and board director meeting expenses	-	29,672	29,672
Supplies expense	34,440	-	34,440
Management fee	-	510,000	510,000
Bad debt expense	11,280	-	11,280
Campaigne contributions	5,140	-	5,140
Printing, supplies and postage	-	3,371	3,371
Service fees	-	5,013	5,013
Travel and meetings	-	13,334	13,334
Website and hosting	-	17,507	17,507
Total Expenses	\$ 139,080	\$ 614,943	\$ 754,023

CALIFORNIA CONTRACT CITIES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 1: Nature of Association

The California Contract Cities Association, (the "Association") is a 501(c)(6) not-for-profit organization, which was incorporated on January 30, 1964, in the State of California. The stated purpose of the Association is to serve cities contracting for the performance of municipal services; to serve as their rallying point for cities contracting for municipal services so that said cities may insure for their constituents the best service at a minimum cost. The Association promotes and provides education and networking opportunities to all their member cities. Any duly incorporated and organized city of the State of California, which contracts for municipal services, is eligible for membership. The Association also provides membership opportunities to commercial entities through the Associate Member program.

Note 2: Summary of Significant Accounting Policies

This summary of significant accounting policies of the Association is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Association's management who is responsible for their integrity and objectivity.

Basis of Accounting

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"). The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Net Assets

The Association classifies net assets, revenues, gains, and losses based on the existence or absence of contributor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Third Party Restrictions

Net assets that are not subject to third party-imposed stipulations and that may be available for use in general operations. Net assets without third party restrictions include amounts available to be used at the discretion of the Board of Directors in the Organization's programs and operations.

Net Assets with Third Party Restrictions

Net assets subject to third party-imposed stipulations on their use that may or will be met either by actions of the Organization and/or the passage of time. Third party restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 2: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statements of cash flows exclude permanently restricted cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Membership Dues Receivable

Member dues earned but not received prior to year-end are recorded as membership dues receivables. Management determines the allowance for uncollectable receivable based on an assessment of each account. Membership dues receivable are written off when deemed uncollectible. At June 30, 2020, management estimated \$4,308 allowance for doubtful accounts.

Revenues Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The conservatory adopted this standard on July 1, 2019. The adoption of this standard did not have material impact on the amount and timing of revenue recognition of the Association. Revenue from contributions, grants and investment income are not within the scope of Topic 606 revenue recognition. The Association didn't have any revenue outside of ASC 606 for fiscal year ended June 30, 2020.

The Association's sources of revenues are city membership dues, associate membership dues, and fees collected for various seminars. The Association's significant revenue recognition policies are described below:

Contracts with Customers

The Association recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Association expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Association combines it with other performance obligations until a distinct bundle of goods or services exists. The Association expects that the period between when the Association transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Association has elected the practical expedient not to adjust the promised amount of consideration for the effect of a significant financing component.

Note 2: Summary of Significant Accounting Policies (Continued)

Amounts received in advance of services performed, but not yet earned, are held and recorded as unearned revenue.

Membership Dues

The Association offers to various cities and commercial entities (refers to associate member). Amounts charged by the Association to members for the general rights of membership, includes access to various general meetings, quarterly newsletter, access to various legislative resources and information and the right to participate to seminars, tours and annual seminar with additional fees unless a level of membership selected by the associate member includes such fees. Although the Association does not execute a formal contract with its members, the Association considers payment of annual dues, based on prices determined by the Association, to constitute member acceptance of the offered benefits. Within the membership benefits above, if the membership dues include specific events, the Association recognizes the market value of such events when event takes place. The remaining membership benefits are considered a bundled of performance obligations that are delivered to members throughout the membership term and recognized as revenue ratably over the term of membership.

The city membership is offered to various cities in California, and the membership period coincides with the Association's reporting period. The dues are based upon a combination of population and total assessment valuation factors and/or sales tax revenues and ranged from \$1,100 to \$8,300 for the fiscal year ended June 30, 2020. The fees to attend seminars, tours and annual conference are not included in the membership dues.

The associate membership is an annual membership, and membership period is January to December. The Association offers five different benefits package which ranges from \$2,000 to \$15,000. Some package may include complimentary access to certain meetings and annual conference.

Educational Summits

The Association generally sponsors three educational summits during the year: The Annual Seminar (May), the Fall Seminar (September), and the Sacramento Legislative Tour (January). The planned annual seminar was rescheduled due to the Covid-19 pandemic. Revenue from educational summits is recognized when events takes place. The supplemental Summary of Special Events Activities reflects net income from each of these activities for this fiscal year. Overhead costs for those events such as special events awards, gifts, printing and supplies were not allocated to each event.

Nonmonetary Transactions

Nonmonetary transactions are reported at fair market value of services received. For the fiscal year ended June 30, 2020, the Association received approximately \$15,703 of computer related support services in exchange for associate member registration fees.

CALIFORNIA CONTRACT CITIES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 2: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Association qualifies as a tax-exempt organization under 501(c)(6) of the Internal Revenue Code. The political action committee ("PAC") fund is exempt from federal income tax as a political organization.

Management of the Association has analyzed its tax positions taken, and has concluded that, as of June 30, 2020, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by the taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Date of Management's Review

The Association has evaluated subsequent events through May 17, 2021, the date at which the financial statements were available to be issued.

Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of cash and cash equivalents of \$454,359.

Note 4: Concentrations of Credit Risk

The Association may be subject to credit risk on its cash balances. At June 30, 2020, the Association maintains its cash balances at one institution. Accounts at the institution are insured by the FDIC, which covers up to \$250,000 for substantially all depository accounts. At various times throughout the year, the balances in these accounts may be in excess of federally insured limits. Management believes the Association is not exposed to any significant credit risk on cash and cash equivalents.

Note 5: Stormwater Fund

The Association and the League of California Cities formed a committee charged with reviewing storm water funding options and finding solutions to the storm water issues that are having an impact on the cities in Los Angeles County. The committee raised funds to study the issues by assessing members of their respective organizations. During the year ended June 30, 2020, the Association paid expenses of \$3,056. The fund balance of \$20,592 as of June 30, 2020 is presented as an asset and also as a corresponding liability on the statement of financial position as of June 30, 2020.

CALIFORNIA CONTRACT CITIES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2020**

Note 6: Political Action Committee (PAC)

The Association has established a PAC fund which receives contributions from the public to be used strictly to further the legislative goals of the Association on behalf of its members. All contributions received and the related disbursements are tracked separately by the Association from the general operating activities. The Association maintains a separate bank account for the PAC account. During the year ended June 30, 2020, \$5,140 was used for campaign contributions and registration fees. Restricted cash of \$5,932 as of June 30, 2020 represents cash held for PAC fund and is included in net assets with third party restrictions in the accompanying balance sheet.

Note 7: Related Party Transactions

Management Agreements

The Association entered into a management agreement for administrative and managerial support services with a former board member. The Contract was subsequently renewed through June 30, 2024. The agreement calls for the Association to pay the management company on a monthly basis. Each year, the agreement is renegotiated and approved by the executive board of directors each year. The Association incurred \$510,000 management fee expense, as approved by the board in the annual budget, for the year ended June 30, 2020.

Note 8: Commitments

Group Sales Agreement

The Association holds its Annual Seminar at a four-star resort. The contract was due to sunset June 30, 2020; however, due to the Covid-19 and the rescheduling of the seminar, the contract has been extended through 2021 with no penalties. The agreement includes the room rates and number of room commitment.

Note 9: COVID-19

As a result of the COVID-19 pandemic, the Association's activities were limited after March 2020, including cancellation of annual seminar, which is the main annual event of the Association.

Potential impacts to the Association include disruptions or restrictions on its ability to conduct programs and sponsor events. In addition, some of members could be adversely affected, resulting in additional disruptions to its operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Association expects this matter to negatively impact its operations, the related financial impact cannot be reasonably be estimated at this time.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
California Contract Cities Association
Cerritos, California

We have audited the accompanying financial statements of California Contract Cities Association. (a nonprofit organization) as of and for the year ended June 30, 2020, and our report thereon dated May 13, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplement information in Schedule I is presented for purpose of additional analysis of the financial statements rather than to present the financial position, activities, changes in net assets, and cash flows, and it is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lance, Soll & Lunghard, LLP

Santa Ana, California
May 17, 2021

CALIFORNIA CONTRACT CITIES ASSOCIATION

**SCHEDULE I - SUMMARY OF SPECIAL EVENTS ACTIVITIES
FOR YEAR ENDED JUNE 30, 2020**

Annual Seminar

Revenues	\$ -
Cost of revenues	<u>-</u>
Total Annual Seminar	<u>-</u>

Fall Seminar

Revenues	37,950
Cost of revenues	<u>38,037</u>
Total Fall Seminar	<u>(87)</u>

Legislative Tour

Revenues	70,985
Cost of revenues	<u>50,183</u>
Total Legislative Tour	<u>20,802</u>

**Total Increase in Net Assets without
Donor Restrictions from Special Events**

\$ 20,715