



CALIFORNIA CONTRACT
CITIES ASSOCIATION
JUNE 30, 2021

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

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on YOU



CALIFORNIA CONTRACT CITIES ASSOCIATION

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2021

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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, 2021, 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, 2021, 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.

A handwritten signature in black ink that reads "Lance, Soll & Lunghard, LLP".

Santa Ana, California
MONTH XX, 2021



CALIFORNIA CONTRACT CITIES ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

Assets

Current Assets

Cash and Cash Equivalent	\$	496,527
Membership dues receivable, net of allowance for doubtful accounts of \$75,958		92,500
Event deposits		110,244
Restricted cash, PAC fund		4,382
Restricted cash, Stormwater fund		<u>20,592</u>

Total Assets **\$** **724,245**

Liabilities

Current Liabilities

Unearned revenues	\$	199,279
Accounts payable		49,644
Stormwater fund liabilities		<u>20,592</u>

Total Current Liabilities 269,515

Net Assets

Without third party restrictions		450,348
With third party restrictions		<u>4,382</u>

Total Net Assets 454,730

Total Liabilities and Net Assets **\$** **724,245**

See Independent Auditors' Report and Notes to Financial Statements.

**CALIFORNIA CONTRACT CITIES ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Third Party Restrictions</u>	<u>With Third Party Restrictions</u>	<u>Total</u>
Revenues			
City membership dues	\$ 295,896	\$ -	\$ 295,896
Associate members dues	248,988	-	248,988
Miscellaneous	6,054	-	6,054
Interest income	2,982	-	2,982
Net assets released from restriction	<u>1,550</u>	<u>(1,550)</u>	<u>-</u>
 Total Revenues	 <u>555,470</u>	 <u>(1,550)</u>	 <u>553,920</u>
Expenses			
Program services expense	675	-	675
Support services expense	<u>560,707</u>	<u>-</u>	<u>560,707</u>
 Total Expenses	 <u>561,382</u>	 <u>-</u>	 <u>561,382</u>
 Change in Net Assets	 (5,912)	 (1,550)	 (7,462)
 Net Assets at the Beginning of the Year	 <u>456,260</u>	 <u>5,932</u>	 <u>462,192</u>
 Net Assets at End of the Year	 <u><u>\$ 450,348</u></u>	 <u><u>\$ 4,382</u></u>	 <u><u>\$ 454,730</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

**CALIFORNIA CONTRACT CITIES ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Cash Flows From Operating Activities

Change in net assets	<u>\$ (7,462)</u>
Changes in assets and liabilities:	
Membership dues receivable, net of allowance for doubtful accounts of \$75,958	(89,050)
Accounts payable	37,744
Prepaid expenses	2,844
Unearned revenues	<u>96,542</u>
 Total Adjustments	 <u>48,080</u>
 Net Cash Provided by Operating Activities	 <u>40,618</u>
 Net increase in Cash, Cash Equivalent and Restricted Cash	 40,618
 Cash, Cash Equivalent and Restricted Cash at the Beginning of Year	 <u>480,883</u>
 Cash, Cash Equivalent and Restricted Cash at the End of Year	 <u><u>\$ 521,501</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

**CALIFORNIA CONTRACT CITIES ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Annual seminar	\$ -	\$ -	\$ -
President's fund	675	-	675
Accounting	-	15,920	15,920
Awards and gifts	-	235	235
Committee expense	-	3,126	3,126
Dues and sponsorships	-	500	500
Executive board expense	-	8,684	8,684
Management fee	-	510,000	510,000
Miscellaneous	-	4,489	4,489
Printing, supplies, and postage	-	4,287	4,287
Professional services	-	3,535	3,535
Travel and meetings	-	245	245
Website and hosting	-	9,686	9,686
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 675	\$ 560,707	\$ 561,382
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Independent Auditors' Report and Notes to Financial Statements.

CALIFORNIA CONTRACT CITIES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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, Cash Equivalents and Restricted Cash

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 cash, cash equivalents and restricted cash held for long-term purpose.

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.

Revenue and Revenue Recognition

The Association's sources of revenues are city membership dues, associate membership dues, and fees collected for various seminars and events.

City membership dues are based upon a combination of population and total assessment valuation factors and/or sales tax revenues, and the term of membership is July to June. City membership fees ranged from \$1,100 to \$8,300 per city.

Associate membership dues depend on the level of membership, and the term of membership is a calendar year but membership is due beginning of calendar year. Associate membership dues for the fiscal year ranged from \$1,000 to \$20,000 per member.

The Association generally sponsors educational summits such as The Annual Seminar, the Fall Seminar, the Sacramento Legislative Tour and annual conference. However, those seminars and events were not held during the year due to the Pandemic.

Member dues earned and not received prior to year-end are recorded as membership dues receivables. Receivables are only recorded if they are deemed to be collectible; therefore, no allowance for doubtful accounts is considered necessary.

Unearned Revenues

All dues collected for future periods during the current year are recorded as deferred revenue. Deferred revenue is then recognized as income in the year in which it is earned.

Nonmonetary Transactions

Nonmonetary transactions are reported at fair market value of services received. For the fiscal year ended June 30, 2021, the Association received approximately \$15,000 of services in exchange for associate member registration fees.

CALIFORNIA CONTRACT CITIES ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, 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 **MONTH XX, 2022**, 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 \$511,919.

Note 4: Concentrations of Credit Risk

and accounts
receivable

The Association may be subject to credit risk on its cash balances. At June 30, 2021, 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, 2021, the Association paid expenses of \$0. The fund balance of \$20,592 as of June 30, 2021 is presented as restricted cash in the current asset and also as a corresponding liability on the statement of financial position as of June 30, 2021.

CALIFORNIA CONTRACT CITIES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021, \$1,550 was used for administrative expenses to manage the fund. Restricted cash of \$4,382 as of June 30, 2021 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 third party administrative company which is owned by a former board member. The Contract was renewed during current year 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. For the fiscal year ending June 30, 2021, the board approved a budget up to \$510,000.

Note 8: Commitments

Group Sales Agreement

The Association holds its Annual Seminar at resort and entered into the agreement to secure the room rates, as well as the number of rooms that must be used, and the concessions allowed by the Association. The agreement also stipulates that the Association must pay a cancellation fee if the contract is terminated. 2021 Annual Seminar was cancelled due to the COVID-19 but the resort waived the cancellation fees.

Note 9: Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in China, and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Association is headquartered, have declared a state of emergency.

The impacts to the Association include disruptions or restrictions on its ability to conduct programs and sponsor events. In addition, some of members were adversely affected, resulting in reduction in associate membership revenues. Restrictions have been lifting up after fiscal year ended June 30, 2021. The Association was able to held an annual conference in 2022. While the disruption is currently expected to be temporary, there is considerable uncertainty around the impact of Covid-19.

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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, 2021, and our report thereon dated **MONTH XX, 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
MONTH XX, 2021

SUPPLEMENTARY INFORMATION

CALIFORNIA CONTRACT CITIES ASSOCIATION

**SCHEDULE I - SUMMARY OF SPECIAL EVENTS ACTIVITIES
FOR YEAR ENDED JUNE 30, 2021**

Annual Seminar

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

Fall Seminar

Revenues		-
Cost of revenues		-
		<hr/>
Total Fall Seminar		-
		<hr/>

Legislative Tour

Revenues		-
Cost of revenues		-
		<hr/>
Total Legislative Tour		-
		<hr/>

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

\$	-
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See Independent Auditors' Report and Notes to Financial Statements.