



CALIFORNIA CONTRACT CITIES  
ASSOCIATION  
JUNE 30, 2022

FINANCIAL STATEMENTS &  
INDEPENDENT AUDITORS' REPORT

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on YOU



CALIFORNIA CONTRACT CITIES  
ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

JUNE 30, 2022

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
California Contract Cities Association  
Cerritos, California

### Opinion

We have audited the accompanying financial statements of California Contract Cities Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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



The Board of Directors of  
California Contract Cities Association  
Cerritos, California

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of California Contract Cities Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Contract Cities Association 's ability to continue as a going concern for a reasonable period of time.

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



The Board of Directors of  
California Contract Cities Association  
Cerritos, California

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedule I – Summary of Special Events Activities is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lance, Soll & Lingham, LLP*

Brea, California  
October 27, 2023

**CALIFORNIA CONTRACT CITIES ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

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**Assets**

Current Assets

Cash and cash Equivalent	\$	621,600
Accounts receivable, net of allowance for doubtful accounts of \$17,000		81,820
Restricted cash, PAC fund		4,382
Restricted cash, Stormwater fund		<u>20,592</u>

**Total Assets** **\$ 728,394**

**Liabilities**

Current Liabilities

Unearned revenues	\$	138,925
Accounts payable		17,805
Accrued expenses		1,500
Stormwater fund liabilities		<u>20,592</u>

Total Current Liabilities 178,822

**Net Assets**

Without third party restrictions		545,190
With third party restrictions		<u>4,382</u>

Total Net Assets 549,572

**Total Liabilities and Net Assets** **\$ 728,394**

**CALIFORNIA CONTRACT CITIES ASSOCIATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Without Third Party Restrictions	With Third Party Restrictions	Total
<b>Revenues</b>			
City membership dues	\$ 324,154	\$ -	\$ 324,154
Associate membership dues	253,175	-	253,175
Annual seminar	361,938	-	361,938
Fall seminar	310,938	-	310,938
Legislative tour	60,725	-	60,725
City management summit	8,030	-	8,030
Miscellaneous	7,967	-	7,967
Interest income	337	-	337
	<u>1,327,264</u>	<u>-</u>	<u>1,327,264</u>
<b>Expenses</b>			
Program services expense	557,072	-	557,072
Management and general	675,350	-	675,350
	<u>1,232,422</u>	<u>-</u>	<u>1,232,422</u>
Change in Net Assets	94,842	-	94,842
Net Assets at the Beginning of the Year	<u>450,348</u>	<u>4,382</u>	<u>454,730</u>
<b>Net Assets at End of the Year</b>	<b><u>\$ 545,190</u></b>	<b><u>\$ 4,382</u></b>	<b><u>\$ 549,572</u></b>

See Independent Auditors' Report and Notes to Financial Statements.

**CALIFORNIA CONTRACT CITIES ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

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	<b>Program Services</b>	<b>Management and General</b>	<b>Total Expenses</b>
Annual seminar	\$ 245,511	\$ -	\$ 245,511
Annual city manager summit	7,351	-	7,351
Fall Seminar	223,438	-	223,438
LA advocacy day	10,768	-	10,768
Legislative tour	53,004	-	53,004
Accounting	-	25,757	25,757
Bad debt expenses	17,000	-	17,000
Bank charges	-	304	304
Committee expense	-	38,369	38,369
Dues and sponsorships	-	5,000	5,000
Executive board expense	-	39,222	39,222
Management fee	-	530,400	530,400
Miscellaneous	-	6,895	6,895
Printing, supplies, and postage	-	2,253	2,253
Professional services	-	2,965	2,965
Travel and meetings	-	9,848	9,848
Website and hosting	-	14,337	14,337
	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<b>\$ 557,072</b>	<b>\$ 675,350</b>	<b>\$ 1,232,422</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Independent Auditors' Report and Notes to Financial Statements.



**CALIFORNIA CONTRACT CITIES ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**Cash Flows From Operating Activities**

Change in net assets	\$ 94,842
Adjustments to reconcile change in net assets to net change in cash:	
Bad debt expense	17,000
Changes in assets and liabilities:	
Accounts receivable	(6,320)
Prepaid expenses	110,244
Accounts payable	(31,839)
Accrued expenses	1,500
Unearned revenue	27,671
Members' deposit	<u>(88,025)</u>

Net Cash Provided by Operating Activities	<u>125,073</u>
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Net increase in Cash, Cash Equivalent and Restricted Cash	125,073
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Cash, Cash Equivalent and Restricted Cash at the Beginning of Year	<u>521,501</u>
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<b>Cash, Cash Equivalent and Restricted Cash at the End of Year</b>	<b><u><u>\$ 646,574</u></u></b>
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**Reconciliation of cash, cash equivalents, and restricted cash :**

Cash and cash equivalent	\$ 621,600
Restricted cash, PAC fund	4,382
Restricted cash, Stormwater fund	<u>20,592</u>
	<b><u><u>\$ 646,574</u></u></b>

# CALIFORNIA CONTRACT CITIES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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### 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 Association'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 Association 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.

#### **Cash, Cash Equivalents and Restricted Cash**

The Association considers all highly liquid financial instruments with original maturities of three months or less, which are not restricted, to be cash and cash equivalents. Stormwater fund (see Note 5) and PAC fund (see Note 6) are considered restricted cash.

**Note 2: 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 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 Recognition**

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

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 \$1,200 to \$8,600 per city. Revenue is recognized in applicable membership year.

Associate membership dues depend on the level of membership, and the term of membership is a calendar year, but membership is due at the beginning of calendar year. Associate membership dues for the fiscal year ranged from \$1,000 to \$15,000 per member. Revenue is recognized in an applicable membership year. Any payments received for the future membership year are recorded as unearned revenues (liability).

The Association sponsors educational summits such as The Annual Seminar, the Fall Seminar, and the Sacramento Legislative Tour. Revenue is recognized when events take place. Payments, when received in advance, are recognized as customer deposit.

**Nonmonetary Transactions**

Nonmonetary transactions are reported at fair market value of services received. For the fiscal year ended June 30, 2022, the Association received approximately \$15,000 of services in exchange for associate member registration fees. The transactions are included in Website and hosting for \$12,814 and committee expenses for \$2,186 in the accompanying statement of functional expenses and \$15,000 in associate membership dues in the accompanying statement of activities and changes in net assets.

**Accounts Receivable**

Accounts receivable consist primarily of noninterest-bearing amounts due for membership dues. The Association determines the allowance for uncollectable accounts receivable based on historical experience, status of membership, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

**CALIFORNIA CONTRACT CITIES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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**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, 2022, 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 Association 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 October 27, 2023, 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 \$621,600 and net accounts receivable of \$81,820, totaling to \$703,420 as of June 30, 2022.

**Note 4: Concentrations of Credit Risk**

The Association may be subject to credit risk on its cash balances. At June 30, 2022, 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 having an impact on the cities in Los Angeles County. The committee raises funds to study the issues by assessing fees to members of their respective organizations. There were no expenses incurred during the year for this undertaking. The fund balance of \$20,592 as of June 30, 2022 is presented as restricted cash in the current asset and also as a corresponding liability on the statement of financial position.

**CALIFORNIA CONTRACT CITIES ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

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**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, 2022, there were no administrative expenses incurred to manage the fund. Restricted cash of \$4,382 as of June 30, 2022 represents cash held for PAC fund and is included in net assets with third party restrictions in the accompanying balance sheet.

During 2022, the Board approved political contributions of \$1,500 and committed to providing funds to third party organizations. A contribution was made subsequent to year end. The amount has been accrued and included in accrued expenses in the accompanying statement of financial position.

**Note 7: Related Party Transactions**

**Management Agreements**

The Association entered into a management agreement for administrative and managerial support services with E.L. Strategy Group, an administrative company which is owned by a former board member. The Contract was renewed during 2021 and expires June 30, 2024. The agreement calls for the Association to pay the management company monthly. Each year, the management fee is renegotiated and approved by the executive board of directors. For the fiscal year ending June 30, 2022, management fee increased to \$530,400 from \$510,000.

**Note 8: COVID-19**

The Association held various conferences and tours in 2022 which had been canceled in the past due to Covid-19. Management believes the Association's activities are back to pre-Covid-19 levels.

SUPPLEMENTARY INFORMATION

**CALIFORNIA CONTRACT CITIES ASSOCIATION**

**SCHEDULE I - SUMMARY OF SPECIAL EVENTS ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

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**Annual Seminar**

Revenues	\$ 361,938
Cost of revenues	<u>245,511</u>
Total Annual Seminar	<u>116,427</u>

**Fall Seminar**

Revenues	310,938
Cost of revenues	<u>223,438</u>
Total Fall Seminar	<u>85,500</u>

**Legislative Tour**

Revenues	60,725
Cost of revenues	<u>53,004</u>
Total Legislative Tour	<u>7,721</u>

**Change in net assets from those special events activities** \$ 211,648