



December 1, 2025

Board of Directors
Highway 1 Tourism Alliance
C/O: Aaron Graves, Board Chair
81 Higuera St., #220
San Luis Obispo, CA 93401

We have audited the financial statements of Highway 1 Tourism Alliance for the year ended June 30, 2025, and have issued our report thereon dated December 1, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2025. Professional standards also require that we communicate to you the following related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Highway 1 Tourism Alliance are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2025. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosure are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was (were):

- Note 3: Liquidity and Availability

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2025.

Highway 1 Tourism Alliance

December 1, 2025

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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors, and if appropriate, management of Highway 1 Tourism Alliance and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation

Highway 1 Tourism Alliance, Inc.



Audited Financial Statements

From Inceptions to June 30, 2025



**Highway 1 Tourism Alliance
Financial Statements
From Inception to June 30, 2025**

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Independent Auditors' Report

To the Board of Directors of
Highway 1 Tourism Alliance
Paso Robles, CA

Opinion

We have audited the accompanying financial statements of Highway 1 Tourism Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the period from inception of January 30, 2025 to June 30, 2025, 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 Highway 1 Tourism Alliance as of June 30, 2025, and the changes in its net assets and its cash flows for the initial period 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 Highway 1 Tourism Alliance 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 opinions.

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 Highway 1 Tourism Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Highway 1 Tourism Alliance'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 Highway 1 Tourism Alliance'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.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 1, 2025

Highway 1 Tourism Alliance
Statement of Financial Position
June 30, 2025

Assets

Current assets:

Cash and cash equivalents	\$ 2,064,336
Accounts receivable	389,562
Total current assets	<u>2,453,898</u>

Total assets

\$ 2,453,898

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 33,018
Total current liabilities	<u>33,018</u>

Net assets:

Without donor restrictions	<u>2,420,880</u>
Total net assets	<u>2,420,880</u>

Total net assets

\$ 2,453,898

The accompanying notes are an integral part of these financial statements.

Highway 1 Tourism Alliance
Statement of Activities
From Inception to June 30, 2025

Revenues and other support:	
Assessment revenue	\$ 584,276
Contributions from the County	1,903,162
Total revenues and other support	<u>2,487,438</u>
Expenses:	
Program services	25,486
Management and general	41,072
Total functional expenses	<u>66,558</u>
Change in net assets	2,420,880
Net assets - beginning of year	<u>-</u>
Net assets - end of year	<u>\$ 2,420,880</u>

The accompanying notes are an integral part of these financial statements.

Highway 1 Tourism Alliance
Statement of Functional Expenses
From Inception to June 30, 2025

	Program Services	Supporting Services General and Administration	Total
Insurance		\$ 2,696	\$ 2,696
Legal		5,200	5,200
Professional fees	18,030	20,529	38,559
County admin fee		11,586	11,586
Rent - office		300	300
Trade and media	7,456		7,456
Travel		624	624
Utilities		137	137
	<u>\$ 25,486</u>	<u>\$ 41,072</u>	<u>\$ 66,558</u>

The accompanying notes are an integral part of these financial statements.

Highway 1 Tourism Alliance
Statement of Cash Flows
From Inception to June 30, 2025

Cash flows from operating activities:	
Change in net assets	\$ 2,420,880
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(389,562)
Accounts payable	<u>33,018</u>
Net cash provided by operating activities	<u>2,064,336</u>
Net change in cash and cash equivalents	2,064,336
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,064,336</u></u>

The accompanying notes are an integral part of these financial statements.

Highway 1 Tourism Alliance
Notes to Financial Statements
June 30, 2025

Note 1: Organization

Highway 1 Tourism Alliance (the Organization) is a nonprofit corporation, incorporated on January 30, 2025, with operations commencing in April 2025, and organized under the laws of the State of California for the purpose of promoting tourism, destination management, economic development and common business interest in cities included in the San Luis Obispo County Business Improvement District (CBID). The seven Local Fund Areas (LFA's) included in CBID are San Simeon & Ragged Point, Cambria, Cayucos, Los Osos, Edna Valley & Arroyo Grande, Avila Beach, and Oceano & Nipomo. The Organization's mission is to improve business growth opportunities for the tourism industry along the central coast corridor through administration and operation of business improvement district for destination marketing, sales, and media programs.

Note 2: Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all demand deposits, money market deposit accounts, and certificates of deposit purchased with an original maturity of less than three months to be cash and cash equivalents. The Organization had no cash equivalents as of June 30, 2025.

Fixed Assets

Fixed assets are recorded at historical cost when purchased or estimated fair market value when donated. Depreciation of fixed assets is provided using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance costs are expensed when incurred. Capital expenditures over \$2,500 are recorded as fixed assets.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Highway 1 Tourism Alliance
Notes to Financial Statements
June 30, 2025

Note 2: Summary of Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) 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, where the donor stipulates that resources be maintained in perpetuity. For the period ended June 30, 2025 the Organization had no net assets with donor restrictions.

The Organization reports gifts of cash and other assets as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The Organization reports donor restricted gifts as revenues with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when donor restrictions are satisfied. Gifts with restrictions that are satisfied within the same reporting period are recorded as contributions without donor restrictions.

Revenue and Revenue Recognition

The Organization recognizes contribution revenue when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization receives a majority of its revenues from assessment revenue and tourist related industry programs, all of which are entirely within the County of San Luis Obispo. For the period ended June 30, 2025, the Organization operated under a contract with the County to manage the LFA's within the Business Improvement District, in which the District provided a 2% assessment on all lodging room nights within the district for those businesses that pay the Transient Occupancy Tax. The contract with the County is for the one-year period July 1, 2025 through June 30, 2026 with the option for a four-year renewal upon mutual written agreement by both parties.

Leases

The Organization leases office space under a short-term agreement. The determination of whether an arrangement is a lease is made at the lease's inception. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Highway 1 Tourism Alliance
Notes to Financial Statements
June 30, 2025

Note 2: Summary of Significant Accounting Policies (Continued)

The Organization has elected the practical expedient for short-term leases with terms of 12 months or less. For short-term leases, the Organization recognizes the lease payments in the statement of activities on a straight-line basis over the term of the lease. For the period ended June 30, 2025, lease expense under short-term leases was \$300, and is included in rent expense on the Statement of Functional Expenses.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(c)(6). Annually, the Organization files a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. Management has determined the Agency is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The allocation of shared expenses is based on estimates of time and effort, an estimated use percentage, or on an estimated square-foot basis.

Donated Materials and Services

The Organization may receive donations of time and services from members of the community and volunteers which are recorded in the financial statements if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Additionally, the Organization occasionally receives donations of nonfinancial assets. In-kind donations of fixed assets, materials, and supplies are utilized directly by the Organization in its programs and are valued at their appraised values at the time of the bequest.

Highway 1 Tourism Alliance
Notes to Financial Statements
June 30, 2025

Note 2: Summary of Significant Accounting Policies (Continued)

Donated professional services are utilized in the Organization's management and administration and are valued at the standard hourly rates charged for those services. For the year ended June 30, 2025, there were no contributions of nonfinancial assets.

Concentrations of Credit Risk

Credit Risk

At June 30, 2025, the Organization's checking and related deposit accounts, including investments, were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2025, the Organization had \$1,814,336 in excess of FDIC limits.

Accounts Receivable and Allowance for Credit Losses

The Organization operates in the tourism industry and its accounts receivables are primarily derived from individual cities and municipalities. At each balance sheet date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's portfolio segments have remained constant since the Organization's inception.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election. At June 30, 2025 the Organization has determined that no allowance is necessary.

As of June 30, 2025, amounts due to the Organization totaled \$389,562.

Highway 1 Tourism Alliance
Notes to Financial Statements
June 30, 2025

Note 3: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 2,064,336
Accounts receivable	389,562
(Less) Amounts available to be spent by the LFA's:	
Avila Beach	(313,606)
Cambria	(238,718)
Cayucos	(682,979)
EV/AG Valley	(77,989)
Los Osos	(16,916)
Nipomo/Oceano	(120,868)
San Simeon	<u>(469,960)</u>
	<u>\$ 532,862</u>

Of the financial assets available for general expenditures, \$1,921,036 is designated for future operations by the LFA's.

Note 4: Subsequent Events

Events subsequent to June 30, 2025 have been evaluated through December 1, 2025, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

Highway 1 Tourism Alliance

admin@SLOcountyBID.com | 805.547.2243

Highway1RoadTrip.com | Highway 1 Tourism Alliance

81 Higuera, Suite 220, San Luis Obispo, CA 93401

December 1, 2025

Glenn Burdette

1150 Palm Street

San Luis Obispo, CA 93401

Board of Directors

Aaron Graves
Chair

Melissa Kurry
Vice Chair

Mike Hanchett

Laila Fiege-Kollmann

Gary Setting

Bram Winter

Cheryl Cuming
*Chief Administrative
Officer*

Tessa Cornejo
County Liaison

This representation letter is provided in connection with your audit of the financial statements of Highway 1 Tourism Alliance, which comprise the statement of financial position as of June 30, 2025 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 1, 2025, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 21, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.



6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We are in agreement with the proposed adjusting journal entries that you provided along with the template for the representation letter and they have been posted to the Organization's accounts.
9. We are in agreement with the fixed asset schedules provided by you and have taken all management responsibility for the information and estimates provided to maintain these schedules.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
12. Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Board of Directors

- Aaron Graves
Chair
- Melissa Kurry
Vice Chair
- Mike Hanchett
- Laila Fiege-Kollmann
- Gary Setting
- Bram Winter

- Cheryl Cuming
Chief Administrative Officer

- Tessa Cornejo
County Liaison

Information Provided

13. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
14. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
16. We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.



- 17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 18. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
- 19. We have disclosed to you all known actual and possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 20. We have disclosed to you the names of all the Organization's related parties and all the related party relationships and transactions, including any side agreements.
- 21. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 23. Highway 1 Tourism Alliance is an exempt organization under Section 501(c)(6) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 24. As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; accept responsibility for the results of the services; and ensure that the data and records are complete and that we have sufficient information to oversee the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Board of Directors

Aaron Graves
Chair

Melissa Kurry
Vice Chair

Mike Hanchett

Laila Fiege-Kollmann

Gary Setting

Bram Winter

Cheryl Cuming
Chief Administrative Officer

Tessa Cornejo
County Liaison

Signed: *[Signature]* Signed: *[Signature]*
 Title: *Chairman* Title: *Treasurer/Secretary*

Cheryl Cuming
CAO

