

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

*FOR THE YEARS ENDED
SEPTEMBER 30, 2011 AND 2010*

Bobbitt, Pittenger & Company, P.A.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5

Bobbitt, Pittenger & Company, P.A.
Certified Public Accountants

January 4, 2012

BOARD OF DIRECTORS
Sarasota Convention and Visitors Bureau, Inc.
Sarasota, Florida

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Sarasota Convention and Visitors Bureau, Inc. as of September 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Sarasota Convention and Visitors Bureau, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sarasota Convention and Visitors Bureau, Inc. as of September 30, 2011 and 2010, and its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bobbitt, Pittenger & Company, P.A.

Certified Public Accountants



The CPA. Never Underestimate The Value.®

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30,

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 389,343	\$ 328,687
Accounts receivable	129,147	98,457
Accounts receivable - Sarasota County	250,246	238,743
Inventory	8,083	8,861
Prepaid expenses	<u>108,406</u>	<u>10,260</u>
Total current assets	885,225	685,008
Furniture and equipment, net	32,203	44,790
Deposits	<u>17,892</u>	<u>6,676</u>
TOTAL ASSETS	<u>\$ 935,320</u>	<u>\$ 736,474</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 55,810	\$ 102,833
Accrued expenses	96,166	9,227
Accrued payroll and benefits	41,268	34,794
Deferred income	445,379	337,925
Capital lease, current portion	<u>3,111</u>	<u>2,590</u>
Total current liabilities	641,734	487,369
Capital lease, net of current portion	<u>4,429</u>	<u>7,540</u>
Total liabilities	646,163	494,909
Net assets - unrestricted	<u>289,157</u>	<u>241,565</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 935,320</u>	<u>\$ 736,474</u>

See notes to financial statements

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2011</u>	<u>2010</u>
REVENUE		
Contract - management services	\$ 782,448	\$ 708,000
Membership income	287,205	272,451
Co-op income	67,976	38,591
Other income	71,317	43,687
Retail sales, net	<u>6,155</u>	<u>5,996</u>
Total revenue	1,215,101	1,068,725
EXPENSES		
Salaries and wages	752,071	672,615
Payroll taxes and benefits	175,781	151,441
Office	64,507	64,988
Advertising and promotion	87,655	53,428
Rent - office and equipment	40,446	37,417
Visitors center	28,882	33,982
Depreciation	<u>18,167</u>	<u>15,514</u>
Total expenses	<u>1,167,509</u>	<u>1,029,385</u>
Increase in net assets	47,592	39,340
Net assets, beginning of year	<u>241,565</u>	<u>202,225</u>
Net assets, end of year	<u>\$ 289,157</u>	<u>\$ 241,565</u>

See notes to financial statements

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 47,592	\$ 39,340
Adjustments to reconcile increase in net assets to net cash provided from operating activities		
Depreciation and amortization	18,167	15,514
(Increase) decrease in:		
Accounts receivable	(30,690)	(65,185)
Accounts receivable - Sarasota County	(11,503)	(29,329)
Inventory	779	4,095
Prepaid expenses	(98,146)	3,973
Deposits	(11,216)	(1,000)
Increase (decrease) in:		
Accounts payable	(47,022)	(22,195)
Accrued expenses	86,939	(8,915)
Accrued payroll and benefits	6,474	9,290
Deferred income	<u>107,454</u>	<u>85,334</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	68,828	30,922
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	<u>(5,582)</u>	<u>(7,204)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	<u>(2,590)</u>	<u>(2,156)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	60,656	21,562
CASH AND EQUIVALENTS, beginning of year	<u>328,687</u>	<u>307,125</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 389,343</u>	<u>\$ 328,687</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 1,889</u>	<u>\$ 2,094</u>

See notes to financial statements

SARASOTA CONVENTION AND VISITORS BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sarasota Convention and Visitors Bureau, Inc. ("the Bureau") was incorporated on July 9, 1982 under the laws of the State of Florida as a not-for-profit corporation. Its purpose is to advance and develop tourism and service to the tourist industry within Sarasota County ("the County"). The Bureau maintains a Visitor Center in Sarasota, Florida, provides newsletters to its members, and administers the tourism promotion contract for the County. Support for the Bureau is primarily from management fees for administration of the tourism contract, member dues, member advertising displays, website links and hotphone links.

Basis of Accounting

The financial statements of the Bureau have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB Accounting Standards Codification Topic 958 "Not-for-Profit Entities" (ASC 958). Under ASC 958, the Bureau is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These net assets classifications are described as follows:

Unrestricted Net Assets – not subject to donor imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets – subject to donor imposed stipulations that may be fulfilled by actions of the Bureau to meet the stipulations or become unrestricted at the date specified by the donor. The Bureau had no temporarily restricted net assets at September 30, 2011 and 2010.

Permanently Restricted Net Assets – subject to donor imposed stipulations that they be retained and invested permanently by the Bureau. The Bureau had no permanently restricted net assets at September 30, 2011 and 2010.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Bureau considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Donated Services

The Bureau receives donated services from a variety of unpaid volunteers providing services to the Visitor Center. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under ASC 958 have not been satisfied.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Bureau considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be written off when that determination is made.

Inventory

Inventory consists of various merchandise promoting the Sarasota area. Inventory is stated at the lower cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Furniture and Equipment

Furniture and equipment are stated at cost. The Bureau provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of these assets range from three to thirty-two years.

Revenue Recognition and Deferred Revenue

The Bureau recognizes membership dues, co-op income, and contract-management services revenue as it is earned. Membership dues are paid annually and any unearned portion is classified as deferred revenue until it is earned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Bureau is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Bureau has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Bureau's income tax filings are subject to audit by various taxing authorities. The Bureau's information returns for 2008 and later years remain open to inspection.

Advertising

Advertising costs are charged to operations as incurred.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Evaluation of Subsequent Events

The Bureau has evaluated subsequent events through January 4, 2012, the date the financial statements were available to be issued. No events have occurred that require disclosure in or adjustments to the financial statements.

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the capital lease, based on borrowing rates currently available to the Bureau, approximates fair value.

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 14,158	\$ 14,461
Equipment	94,708	91,669
Leasehold improvements	<u> </u>	<u>2,770</u>
	108,866	108,900
Less: accumulated depreciation	<u>(76,663)</u>	<u>(64,110)</u>
	<u>\$ 32,203</u>	<u>\$ 44,790</u>

Depreciation expense for the years ended September 30, 2011 and 2010 totaled \$18,167 and \$15,514, respectively.

NOTE D – CAPITAL LEASE

The Bureau has a capital lease obligation totaling \$7,540 and \$10,130 at September 30, 2011 and 2010, respectively, related to an equipment purchase. The equipment under capital lease had a cost of \$13,803. Accumulated depreciation related to the leased equipment was \$8,040 and \$5,279 at September 30, 2011 and 2010, respectively. The book value of the equipment under capital lease is \$5,763 and \$8,524 at September 30, 2011 and 2010, respectively.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D – CAPITAL LEASE (CONTINUED)

Future minimum payments under the capital lease are as follows:

September 30,	
2012	\$ 3,111
2013	3,737
2014	<u>692</u>
	7,540
Less: current portion	<u>(3,111)</u>
	<u>\$ 4,429</u>

NOTE E – COMMITMENTS

The Bureau has entered into a noncancelable operating lease for the rental of office equipment expiring in April of 2012. Quarterly rent payments are \$684 plus applicable sales and use taxes.

The Bureau had entered into a noncancelable operating lease agreement for the rental of offices, which terminated September 30, 2011. Monthly rent payments were \$3,089.

The Bureau has entered into a noncancelable operating lease agreement effective October 1, 2011 for the rental of offices, terminating December 31, 2016. Occupancy of the offices was effective October 1, 2011 but no rent payments are required until January 1, 2012. Monthly base rent payments will be \$5,343 and will increase by 3% for each subsequent year.

The Bureau has a noncancelable operating sub-lease agreement with Sarasota County for the rental of the Visitor Center in Sarasota, Florida. The monthly rental rate is \$1,667. The lease contains a provision allowing changes to the monthly rental rate on an annual basis. Any changes must be negotiated by both parties but increases are limited to fifteen percent (15%) of the previous year's monthly rental rate. No changes have been negotiated during the current lease term. The lease terminates on October 12, 2013. The Bureau and the County may mutually agree to extend and renew the lease for an additional five year term.

Total rent expense for the years ended September 30, 2011 and 2010 was approximately \$57,000 and \$54,000, respectively.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E – COMMITMENTS (CONTINUED)

Minimum rentals on the operating leases discussed above, at September 30 on an annual basis, are as follows:

2012	\$	85,580
2013		85,556
2014		67,521
2015		69,546
2016		71,622
Thereafter		<u>18,036</u>
	\$	<u>397,861</u>

NOTE F – CONCENTRATION OF REVENUE

The Bureau received \$782,448 and \$708,000 during the years ended September 30, 2011 and 2010, respectively or approximately 64% and 66%, respectively of total revenue, from the contract with Sarasota County for the administration of the tourism development contract. The loss of the contract with the County would have a material effect on the financial position and operation of the Bureau.

NOTE G - CONTRACT REIMBURSEMENTS AND DIRECT PAYMENTS

The Bureau contracts with the County annually to provide management services and promote tourism. The management services provided consist of arranging for advertising and reviewing vendor invoices prior to submission for payment by the County. The contract also provides for reimbursement of expenses for the promotion of Sarasota County as a tourist destination.

The Bureau's contract with the County for the fiscal year ending September 30, 2011 allocated a sum not to exceed \$3,962,240 for the administration of the tourism promotion contract for the County. During the fiscal year ending September 30, 2010 the contract allocated a sum not to exceed \$3,468,372 for the administration of the tourism promotion contract for the County. However, included in those amounts each year was \$100,000 for film. The film budget was a transfer of funds to the Economic Development Corporation, Film & Entertainment Office, therefore the Bureau had no responsibility for the accounting of the expenditure of the film budget line item.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G - CONTRACT REIMBURSEMENTS AND DIRECT PAYMENTS (CONTINUED)

In the fiscal years ending September 30, 2011 and 2010, the Bureau submitted \$3,689,614 and \$3,178,581 in invoices for expenses including the contract-management services recorded as revenue by the Bureau of \$782,448 and \$708,000 in each respective year. The expenses incurred in the years ended September 30, 2011 and 2010 were \$172,626 and \$189,781, respectively, less than the total sums allocated by the County, excluding the film budget line item during each year. The contract expenses are as follows for the years ended September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Advertising, media and production	\$ 1,809,148	\$ 1,504,981
Management services	782,448	708,000
Promotion and marketing	825,176	704,149
Postage and shipping	136,944	144,895
Telecommunications	86,414	76,731
Administrative	<u>49,484</u>	<u>39,825</u>
Total contract expenses	<u>\$ 3,689,614</u>	<u>\$ 3,178,581</u>

NOTE H – RETIREMENT PLAN

The Bureau has established a Savings Incentive Match Plan for Employees (SIMPLE) Individual Retirement Account (IRA) Plan for eligible employees. To become eligible to participate in the Plan, the employee must have earned \$5,000 during any two preceding years and be reasonably expected to earn such amount during the current year. The Bureau made matching contributions equal to 100% of the participating employees' elective deferrals not exceeding 3% of the employees' compensation. Retirement expense for the fiscal years ending September 30, 2011 and 2010 was \$11,695 and \$8,770, respectively.

NOTE I – RETAIL SALES, NET

Retail sales, net consists of items sold at the Visitor Center and is reported net of the cost of goods sold in the statement of activities.

Sales and the related cost of goods sold for the years ended September 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Retail sales	\$ 15,186	\$ 21,561
Less: cost of goods sold	<u>(9,031)</u>	<u>(15,565)</u>
	<u>\$ 6,155</u>	<u>\$ 5,996</u>