

***SARASOTA CONVENTION AND VISITORS BUREAU, INC.***

***REPORT ON AUDITS OF FINANCIAL STATEMENTS***

***FOR THE YEARS ENDED  
SEPTEMBER 30, 2010 AND 2009***

***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

November 18, 2010

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, 2010 and 2009 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, 2010 and 2009, and its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30,

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 328,687	\$ 307,125
Accounts receivable	98,457	33,272
Accounts receivable - Sarasota County	238,743	209,414
Inventory	8,861	12,955
Prepaid expenses	<u>10,260</u>	<u>14,233</u>
Total current assets	685,008	576,999
Furniture and equipment, net	44,790	53,102
Deposits	<u>6,676</u>	<u>5,676</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 736,474</u></b>	<b><u>\$ 635,777</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 102,833	\$ 125,029
Accrued expenses	9,227	18,142
Accrued payroll	34,794	25,504
Deferred income	337,925	252,591
Capital lease, current portion	<u>2,590</u>	<u>2,156</u>
Total current liabilities	487,369	423,422
Capital lease, net of current portion	<u>7,540</u>	<u>10,130</u>
Total liabilities	494,909	433,552
Net assets - unrestricted	<u>241,565</u>	<u>202,225</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 736,474</u></b>	<b><u>\$ 635,777</u></b>

See notes to financial statements

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2010</u>	<u>2009</u>
<b>REVENUE</b>		
Contract - management services	\$ 708,000	\$ 708,000
Membership income	272,451	252,366
Co-op income	38,591	108,115
Other income	43,687	25,945
Retail sales, net	<u>5,996</u>	<u>6,587</u>
 Total revenue	 1,068,725	 1,101,013
<b>EXPENSES</b>		
Salaries and wages	672,615	617,653
Payroll taxes and benefits	151,441	120,290
Office	64,988	63,848
Advertising and promotion	53,428	126,771
Rent - office and equipment	37,417	41,493
Visitors center	33,982	35,764
Depreciation	<u>15,514</u>	<u>17,596</u>
 Total expenses	 <u>1,029,385</u>	 <u>1,023,415</u>
 Increase in net assets	 39,340	 77,598
 Net assets, beginning of year	 <u>202,225</u>	 <u>124,627</u>
 Net assets, end of year	 <u>\$ 241,565</u>	 <u>\$ 202,225</u>

See notes to financial statements

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 39,340	\$ 77,598
Adjustments to reconcile increase in net assets to net cash provided from operating activities		
Depreciation and amortization	15,514	17,596
Increase in:		
Accounts receivable	(65,185)	(24,417)
Accounts receivable - Sarasota County	(29,329)	(38,155)
Inventory	4,095	(5,643)
Prepaid expenses	3,973	(8,715)
Deposits	(1,000)	(369)
Increase (decrease) in:		
Accounts payable	(22,195)	75,091
Accrued expenses	(8,915)	(13,691)
Accrued payroll	9,290	20,989
Co-op liability, net		(15,848)
Deferred income	<u>85,334</u>	<u>130,809</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>30,922</u>	<u>215,245</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	<u>(7,204)</u>	<u>(16,613)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	<u>(2,156)</u>	<u>(1,517)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	21,562	197,115
CASH AND EQUIVALENTS, beginning of year	<u>307,125</u>	<u>110,010</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 328,687</u>	<u>\$ 307,125</u>

See notes to financial statements

2010

2009

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid

\$ 2,094

\$ 2,023

Non-cash investing and financing activities:

Purchase of equipment through capital lease

\$

\$ 13,803

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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 Financial Accounting Standards Board in its Statement of Financial Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*". Under SFAS No. 117, 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, 2010 and 2009.

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, 2010 and 2009.

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 SFAS No. 116, "*Accounting for Contributions Received and Contributions Made*" 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.

Evaluation of Subsequent Events

The Bureau has evaluated subsequent events through November 18, 2010 the date the financial statements were available to be issued. No events have occurred that require disclosure in or adjustments to the financial statements.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Bureau in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents, accounts receivable, accounts receivable – Sarasota County, accounts payable, accrued expenses, and accrued payroll: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Capital lease: The capital lease is carried at cost, which approximates fair value because the implicit rate used to determine cost matches the lease rate.

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 14,461	\$ 14,461
Equipment	91,669	85,319
Leasehold improvements	<u>2,770</u>	<u>2,770</u>
	108,900	102,550
Less: accumulated depreciation	<u>(64,110)</u>	<u>(49,448)</u>
	<u>\$ 44,790</u>	<u>\$ 53,102</u>

Depreciation expense for the years ended September 30, 2010 and 2009 totaled \$15,514 and \$17,596, respectively.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D – CAPITAL LEASE

The Bureau has a capital lease obligation totaling \$10,130 and \$12,286 at September 30, 2010 and 2009, respectively, related to an equipment purchase. The net book value of the equipment under capital lease is \$8,524 at September 30, 2010 and is included in furniture and equipment, net on the statement of financial position.

Future minimum payments under the capital lease are as follows:

September 30,	
2011	\$ 2,590
2012	3,111
2013	3,737
2014	<u>692</u>
	10,130
Less: current portion	<u>(2,590)</u>
	<u>\$ 7,540</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, terminating March 31, 2011. Monthly rent payments are \$3,089.

The Bureau had entered into 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.

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:

2011	\$ 41,462
2012	21,464
2013	<u>20,000</u>
	<u>\$ 82,926</u>

NOTE F – CONCENTRATION OF REVENUE

The Bureau received \$708,000 during each year ended September 30, 2010 and 2009, or approximately 66% and 64%, 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, 2010 allocated a sum not to exceed \$3,318,372 for the administration of the tourism promotion contract for the County. During the fiscal year ending September 30, 2009 the contract allocated a sum not to exceed \$4,040,000 for the administration of the tourism promotion contract for the County. However, included in that amount 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, 2010 and 2009, the Bureau submitted \$3,178,581 and \$3,434,216 in invoices for expenses including the contract-management services recorded as revenue by the Bureau of \$708,000 in each year. The expenses incurred in the years ended September 30, 2010 and 2009 were \$139,781 and \$505,784, respectively, less than the total sums allocated by the County, excluding the film budget line item during the year ended September 30, 2009. The contract expenses are as follows for the years ended September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Advertising, media and production	\$ 1,504,981	\$ 1,929,929
Management services	708,000	708,000
Promotion and marketing	704,149	567,388
Postage and shipping	144,895	132,078
Telecommunications	76,731	79,174
Administrative	<u>39,825</u>	<u>17,647</u>
Total contract expenses	<u>\$ 3,178,581</u>	<u>\$ 3,434,216</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, 2010 and 2009 was \$8,770 and \$5,287, 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, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Retail sales	21,561	\$ 20,348
Less: cost of goods sold	<u>(15,565)</u>	<u>(13,761)</u>
	<u>\$ 5,996</u>	<u>\$ 6,587</u>