

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

***FOR THE YEAR ENDED
SEPTEMBER 30, 2009***

Bobbitt, Pittenger & Company, P.A.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

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

November 2, 2009

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Sarasota Convention and Visitors Bureau, Inc. as of September 30, 2009 and the related statements of activities and cash flows for the year 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 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 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, 2009, and its activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bobbitt, Pittenger & Company, P.A.

Certified Public Accountants



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SARASOTA CONVENTION AND VISITORS BUREAU, INC.

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2009

ASSETS

Current assets:

Cash and cash equivalents	\$ 307,125
Accounts receivable	33,272
Accounts receivable - Sarasota County	209,414
Inventory	12,955
Prepaid expenses	<u>14,233</u>

Total current assets 576,999

Furniture and equipment, net	53,102
Deposits	<u>5,676</u>

TOTAL ASSETS \$ 635,777

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 125,029
Accrued expenses	18,142
Accrued payroll	25,504
Deferred income	252,591
Capital lease, current portion	<u>2,156</u>

Total current liabilities 423,422

Capital lease, net of current portion 10,130

Total liabilities 433,552

Net assets - unrestricted 202,225

TOTAL LIABILITIES AND NET ASSETS \$ 635,777

See notes to financial statements

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

REVENUE	
Contract - management services	\$ 708,000
Membership income	258,541
Co-op income	108,115
Other income	19,770
Retail sales, net	<u>6,587</u>
Total revenue	1,101,013
EXPENSES	
Salaries and wages	617,653
Advertising and promotion	126,771
Payroll taxes and benefits	120,290
Office	63,848
Rent - office and equipment	41,493
Visitors center	35,764
Depreciation	<u>17,596</u>
Total expenses	<u>1,023,415</u>
Increase in net assets	77,598
Net assets, beginning of year	<u>124,627</u>
Net assets, end of year	<u>\$ 202,225</u>

See notes to financial statements

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 77,598
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	17,596
Increase in:	
Accounts receivable	(24,417)
Accounts receivable - Sarasota County	(38,155)
Inventory	(5,643)
Prepaid expenses	(8,715)
Deposits	(369)
Increase (decrease) in:	
Accounts payable	75,842
Accrued expenses	(14,441)
Accrued payroll	20,989
Deferred income	130,809
Co-op liability, net	(15,848)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>215,246</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of furniture and equipment	<u>(16,613)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(16,613)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on capital lease	<u>(1,518)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(1,518)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	197,115
CASH AND EQUIVALENTS, beginning of year	<u>110,010</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 307,125</u>

See notes to financial statements

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid \$ 2,023

Non-cash investing activities:

Purchase of furniture and equipment through capital lease \$ 13,803

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 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, 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, 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 by 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.

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.

The estimated fair values of the Bureau's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 307,125	\$ 307,125
Accounts receivable	33,272	33,272
Accounts receivable – Sarasota County	209,414	209,414
Financial liabilities:		
Accounts payable	113,503	113,503
Accrued expenses	18,142	18,142
Accrued payroll	25,504	25,504
Credit cards payable	11,526	11,526
Capital lease	12,286	12,286

NOTE C – FURNITURE AND EQUIPMENT

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

Furniture and fixtures	\$ 14,461
Equipment	85,319
Leasehold improvements	<u>2,770</u>
	102,550
Less: accumulated depreciation	<u>(49,448)</u>
	<u>\$ 53,102</u>

Depreciation expense for the year totaled \$17,596.

SARASOTA CONVENTION AND VISITORS BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D – CAPITAL LEASE

The Bureau has a capital lease obligation totaling \$12,286 at September 30, 2009 related to an equipment purchase. The net book value of the equipment under capital lease is \$11,284 at September 30, 2009 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,	
2010	\$ 2,156
2011	2,590
2012	3,111
2013	3,737
2014	<u>692</u>
	12,286
Less: current portion	<u>(2,156)</u>
	<u>\$10,130</u>

NOTE E – COMMITMENTS

As of September 30, 2009, the Bureau had 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.

As of September 30, 2009, the Bureau had entered into a noncancelable operating lease agreement for the rental of offices, terminating March 31, 2010. Monthly rent payments, including sales tax are \$3,449. The Bureau has the option to extend the lease agreement for one additional one-year period. Rent during an option year will be increased at the rate of 3% above the previous year's rent.

As of September 30, 2009, 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:

2010	\$ 43,623
2011	22,928
2012	21,464
2013	<u>10,000</u>
	<u>\$ 98,015</u>

NOTE F – CONCENTRATION OF REVENUE

The Bureau received \$708,000, approximately 64% 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, 2009 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 is a transfer of funds to the Economic Development Corporation, Film & Entertainment Office, therefore the Bureau has 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 year ending September 30, 2009, the Bureau submitted \$3,434,216 in invoices for expenses including the contract-management services recorded as revenue by the Bureau of \$708,000. The expenses incurred in the current fiscal year were \$505,784 less than the total sum allocated by the County when excluding the film budget line item. The contract expenses are as follows for the year ended September 30, 2009:

Advertising, media and production	\$ 1,929,929
Management services	708,000
Promotion and marketing	567,388
Postage and shipping	132,078
Telecommunications	79,174
Administrative	<u>17,647</u>
Total contract expenses	<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 year ending September 30, 2009 was \$5,287.

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 year ended September 30, 2009 are as follows:

Retail sales	\$ 20,348
Less: cost of goods sold	<u>(13,761)</u>
	<u>\$ 6,587</u>