

COSTA MESA CONFERENCE
AND VISITOR BUREAU
FINANCIAL STATEMENTS
For the years ended June 30, 2011
and June 30, 2010

CONTENTS

	<u>Page No.</u>
Independent auditors' report	1
Statements of assets, liabilities and net assets – cash basis	2
Statements of support, revenues and expenses – cash basis	3
Notes to financial statements – cash basis	4 – 7



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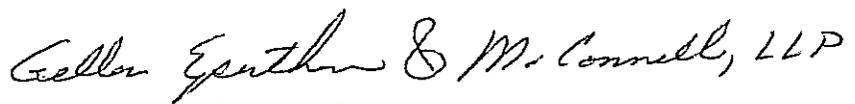
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Costa Mesa Conference and
Visitor Bureau

We have audited the accompanying statement of assets, liabilities, and net assets – cash basis of Costa Mesa Conference and Visitor Bureau (a nonprofit organization) as of June 30, 2011, and the related statements of support, revenue, and expenses – cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Costa Mesa Conference and Visitor Bureau as of June 30, 2010 were audited by other auditors whose opinion dated May 4, 2011, on those statements was qualified because of a departure from generally accepted account principles described in the third paragraph.

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 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.

As described in note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Costa Mesa Conference and Visitor Bureau as of June 30, 2011, and its support, revenue and expenses for the year then ended, on the basis of accounting described in note 1.


Certified Public Accountants

Long Beach, CA
April 25, 2012

COSTA MESA CONFERENCE AND VISITOR BUREAU
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
June 30, 2011 and June 30, 2010

	<u>6/30/2011</u>	<u>6/30/2010</u>
ASSETS		
Cash	<u>\$ 985,314</u>	<u>\$ 333,373</u>
Total assets	<u>\$ 985,314</u>	<u>\$ 333,373</u>
NET ASSETS		
Unrestricted	<u>\$ 985,314</u>	<u>\$ 333,373</u>
Net Assets	<u>\$ 985,314</u>	<u>\$ 333,373</u>

See accompanying notes to financial statements

**COSTA MESA CONFERENCE AND VISITOR BUREAU
STATEMENTS OF SUPPORT, REVENUES AND EXPENSES - CASH BASIS**

For the years ended June 30, 2011 and 2010

	<u>6/30/2011</u>	<u>6/30/2010</u>
UNRESTRICTED NET ASSETS		
Unrestricted revenues		
Business improvement area assessment	\$ 1,496,540	\$ 1,149,347
Special promotion income	-	3,335
Interest income	2,879	2,611
Other income	<u>551</u>	<u>-</u>
Total unrestricted revenues	1,499,970	1,155,293
Expenses		
Hotel and special promotions	102,175	225,942
Marketing	319,848	459,713
Salaries and Benefits	260,696	230,600
General and administrative	<u>165,310</u>	<u>141,044</u>
Total expenses	<u>848,029</u>	<u>1,057,299</u>
Increase in unrestricted net assets	651,941	97,994
NET ASSETS AT BEGINNING OF THE YEAR	<u>333,373</u>	<u>235,379</u>
Net assets at end of year	<u>\$ 985,314</u>	<u>\$ 333,373</u>

See accompanying notes to financial statements

**COSTA MESA CONFERENCE AND VISITOR BUREAU
NOTES TO FINANCIAL STATEMENTS - CASH BASIS
June 30, 2011 and June 30, 2010**

1. Nature of activities and Significant Accounting Policies

Nature of activities

The Costa Mesa Conference and Visitor Bureau (the Bureau) is a California non-profit corporation formed in 1995 to market the city of Costa Mesa as a leisure and group / meeting travel destination.

The vision of the Bureau is to be the engaged destination-marketing leader by supporting and selling the city of Costa Mesa's distinct visitor brand experiences and advocating community tourism benefits. The Bureau's mission is to enhance and promote the city of Costa Mesa's brand, experience, further increasing visitor spending for industry and community economic viability, sustainability and quality of life.

The Bureau is comprised of the ten member hotels within the Business Improvement Area (BIA) of Costa Mesa. The member hotels are Costa Mesa Marriott, Hilton Costa Mesa, Holiday Inn Express Hotel & Suites, The Hotel Hanford, Residence Inn by Marriott, Wyndham Orange County, Ayres Hotel & Suites, The Westin South Coast Plaza, Ramada Inn and Suites Costa Mesa / Newport Beach, and Best Western Plus Newport Mesa Inn.

Basis of accounting

The Bureau's policy is to prepare its financial statements on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when disbursed rather than when the obligation is incurred.

Tax status

The Bureau is exempt from taxation under Internal Revenue Code Section 501(c)(6) on income related to its tax exempt purpose. The Bureau had no unrelated business income, as defined by the Internal Revenue Code, for the fiscal years ended June 30, 2011 and June 30, 2010. Accordingly, no tax provision has been provided for in the accompanying financial statements.

**COSTA MESA CONFERENCE AND VISITOR BUREAU
NOTES TO FINANCIAL STATEMENTS - CASH BASIS (continued)
June 30, 2011 and June 30, 2010**

1. Nature of activities and Significant Accounting Policies (continued)

Revenue

On behalf of the City of Costa Mesa the Bureau's ten member hotels collect a Business Improvement Area (BIA) levy on the sale of overnight guest room stays. For the fiscal year ended June 30, 2011 the levy was two percent (2%) through October 31, 2010; effective November 1, 2010 the levy was increased to three percent (3%). The levy was two percent (2%) for the entire fiscal year ended June 30, 2010. The levy is transmitted by the hotels to the City and is remitted to the Bureau, net of a one percent handling fee, pursuant to a Professional Services Agreement entered into by and between the City and the Bureau.

The above mentioned levy is 99.8% and 98.5% of the total revenue of the Bureau for fiscal years ended June 30, 2011 and June 30, 2010, respectively. The professional services agreement (PSA) with the City of Costa Mesa is renewed annually. The Bureau and the City of Costa Mesa have a good working relationship; consequently there is no concern that the PSA will not be renewed each year, indefinitely.

Use of BIA Revenue

California state law provides that BIA assessments are to be used for the purposes specified in the authorizing resolution that established the assessment. The City's resolution that established the assessment references the uses specified in the Bureau's annual report.

2. Cash

Cash consists of demand deposits as of June 30, 2011 and June 30, 2010 at the following institutions:

	<u>6/30/11</u>	<u>6/30/10</u>
American Securities Bank	\$759,528	\$108,984
Beach Business Bank	215,690	214,345
National Bank	<u>10,096</u>	<u>10,044</u>
Total	<u>\$985,314</u>	<u>\$333,373</u>

The Bureau maintains its cash in bank deposit accounts, which at various times during the fiscal years ended June 30, 2011 and June 30, 2010 exceeded federally insured limits.

3. Hotel promotions expense

The Bureau allocates \$50 per room to each member hotel for hotel specific marketing purposes. The allocation subsidizes hotel specific advertising and marketing efforts that also include the Bureau logo. Vendor invoices are either paid by the hotel or paid directly by the Bureau. Samples of the advertising / marketing material must be submitted showing the

COSTA MESA CONFERENCE AND VISITOR BUREAU
NOTES TO FINANCIAL STATEMENTS - CASH BASIS (continued)
June 30, 2011 and June 30, 2010

3. Hotel promotions expense (continued)

Bureau logo for reimbursement. Hotel promotions expense amounted to \$102,175 and \$225,942 for fiscal years ended June 30, 2011 and June 30, 2010, respectively. If the hotels do not use all of their allocated funds the funds revert back to the Bureau. Beginning in fiscal year 2012 the amount allocated per room will be increased to \$150 per room.

It is the opinion of the Bureau that reimbursing the hotels for advertising costs provides a public benefit to the City of Costa Mesa by promoting tourism, increasing retail sales, etc.

4. Marketing expenses

The Bureau incurs marketing expenses related to its mission of promoting the City of Costa Mesa as a tourist destination. For the fiscal years ended June 30, 2011 and June 30, 2010, marketing expenses totaled \$319,848 and \$471,831, respectively.

Marketing expenses include a new website for the Bureau which went live in January 2012, community sponsorships, brochures, print advertising and various promotions. All of these endeavors promote tourism in the City of Costa Mesa.

5. Commitments and Contingencies

The Bureau entered into a lease for office space effective July 15, 2010. The lease is for five (5) years ending July 31, 2015. There is an option to renew the lease for an additional five (5) years at the end of the lease period. Total rent expense for fiscal years ending June 30, 2011 and June 30, 2010 amounted to \$32,145 and \$ 0, respectively.

Future minimum lease obligations as of June 30, 2011 consist of the following:

Fiscal year ended June 30, 2012	\$32,076
June 30, 2013	\$33,036
June 30, 2014	\$34,047
June 30, 2015	\$35,068
June 30, 2016	\$ 2,969

6. Employee Benefit Plan

The Bureau sponsors a defined contribution salary deferral plan (401(k) plan) covering all employees. During the fiscal years ended June 30, 2011 and June 30, 2010 no Bureau contributions were made. Plan expenses paid by the Bureau during fiscal years ended June 30, 2011 and June 30, 2010 amounted to \$600 for each year.

COSTA MESA CONFERENCE AND VISITOR BUREAU
NOTES TO FINANCIAL STATEMENTS - CASH BASIS (continued)
June 30, 2011 and June 30, 2010

7. Subsequent Events

Management has evaluated subsequent events through April 25, 2012, the date that the financial statements were available to be issued. The following subsequent events have been identified for disclosure in these financial statements.

As mentioned in note 3, effective July 1, 2011 the amount allocated to the member hotels will be increased from \$50 per room to \$150 per room, for marketing / advertising expenses.

The Bureau has agreed to reimburse the city a total of \$164,000 during the year ended June 30, 2012 for expenses paid for swag, website, etc.

Beginning in April 2012 the board of directors has agreed to match 401(k) contributions dollar for dollar up to 3% of the eligible employee's salary.