

**HILTON HEAD ISLAND - BLUFFTON  
CHAMBER OF COMMERCE**

Financial Statements  
with Additional Information  
Years Ended June 30, 2014 and 2013  
and  
Independent Auditors' Report

**HILTON HEAD ISLAND - BLUFFTON  
CHAMBER OF COMMERCE**

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J. W. Hunt and Company, LLP

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members  
of Hilton Head Island - Bluffton  
Chamber of Commerce

We have audited the accompanying financial statements of Hilton Head Island - Bluffton Chamber of Commerce, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hilton Head Island - Bluffton Chamber of Commerce, as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*J.W. Hent and Company, LLP*

September 16, 2014

**HILTON HEAD ISLAND - BLUFFTON  
CHAMBER OF COMMERCE**

**STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,221,773	\$ 1,259,258
Accounts receivable	70,623	27,265
Less, allowance for uncollectible accounts	(5,701)	(4,435)
Prepaid expenses	59,385	115,261
Other	<u>9,675</u>	<u>14,149</u>
Total current assets	1,355,755	1,411,498
Property and equipment - net	<u>1,010,671</u>	<u>998,262</u>
Total assets	<u><u>\$ 2,366,426</u></u>	<u><u>\$ 2,409,760</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 178,962	\$ 150,485
Deferred revenue	663,259	720,629
Current portion of long-term debt	50,034	46,805
Other liabilities	<u>144,559</u>	<u>129,663</u>
Total current liabilities	1,036,814	1,047,582
Long-term liabilities:		
Long-term debt, less current portion	<u>606,688</u>	<u>656,722</u>
Total liabilities	<u>1,643,502</u>	<u>1,704,304</u>
Unrestricted net assets	<u>722,924</u>	<u>705,456</u>
Total liabilities and net assets	<u><u>\$ 2,366,426</u></u>	<u><u>\$ 2,409,760</u></u>

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS*

**HILTON HEAD ISLAND - BLUFFTON  
CHAMBER OF COMMERCE**

STATEMENTS OF ACTIVITIES, YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Unrestricted revenues and other support:		
Visitor and Convention Bureau projects	\$ 4,793,939	\$ 4,444,519
Membership dues	673,352	669,890
Membership projects	904,177	855,169
Brochure advertising	205,850	201,930
Building rent and common share	115,621	114,059
Interest income	4,841	6,488
	<u>6,697,780</u>	<u>6,292,055</u>
Total unrestricted revenues and other support		
Expenses:		
Visitor and Convention Bureau	3,714,239	3,299,120
Salaries and related benefits	1,993,435	1,884,302
General and administrative	325,436	326,534
Membership projects	422,561	391,465
Bluffton Office	17,321	17,153
Depreciation	60,043	55,883
Welcome Center design	-	168,168
Building	101,613	98,721
Interest	45,664	48,686
	<u>6,680,312</u>	<u>6,290,032</u>
Total expenses		
Change in unrestricted net assets	17,468	2,023
Unrestricted net assets at beginning of year	<u>705,456</u>	<u>703,433</u>
Unrestricted net assets at end of year	<u>\$ 722,924</u>	<u>\$ 705,456</u>

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS*

**HILTON HEAD ISLAND - BLUFFTON  
CHAMBER OF COMMERCE**

**STATEMENTS OF CASH FLOWS, YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 17,468	\$ 2,023
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:		
Depreciation	60,043	55,883
Welcome Center design	-	168,168
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(42,092)	37,084
(Increase) decrease in prepaid expenses and other assets	60,350	(59,641)
Increase (decrease) in accounts payable	28,477	(250,471)
Increase in other liabilities	14,896	3,033
Decrease in deferred revenue	<u>(57,370)</u>	<u>(15,564)</u>
Net cash provided (used) by operating activities	<u>81,772</u>	<u>(59,485)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(72,452)</u>	<u>(35,988)</u>
Net cash used by investing activities	<u>(72,452)</u>	<u>(35,988)</u>
Cash flows from financing activities:		
Principal payments on notes payable	<u>(46,805)</u>	<u>(43,783)</u>
Net cash used for financing activities	<u>(46,805)</u>	<u>(43,783)</u>
Net decrease in cash	(37,485)	(139,256)
Cash at beginning year	<u>1,259,258</u>	<u>1,398,514</u>
Cash at end of year	<u>\$ 1,221,773</u>	<u>\$ 1,259,258</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 45,664</u>	<u>\$ 48,686</u>

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS*

**HILTON HEAD ISLAND - BLUFFTON  
CHAMBER OF COMMERCE**

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2014 AND 2013

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**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES:**

The Hilton Head Island - Bluffton Chamber of Commerce (the "Chamber") is a not-for-profit organization established February 5, 1957, to represent, serve and promote the common interests of its membership and the business community and to contribute to the preservation and prudent economic growth of southern Beaufort County of South Carolina area as a healthy place to live and do business.

*Date of Management's Review:*

Subsequent events were evaluated through September 16, 2014, which is the date the financial statements were available to be issued.

*Basis of Presentation:*

The Chamber prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The Chamber is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Chamber and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Chamber has no temporarily restricted net assets.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Chamber. Generally, earnings from endowed contributions and investments are restricted for specific purposes. The Chamber has no permanently restricted net assets.



The statement of activities presents expenses categorized in accordance with the overall mission of the Chamber. Accordingly, no allocation has been made between categories.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

*Property and Equipment:*

Land donated to the Chamber is recorded at fair value on the date of donation. All other property and equipment is recorded at cost, less accumulated depreciation, computed by using the straight-line method. Estimated useful lives range from three to ten years for furniture, equipment, and capital improvements, three to five years for computer software, and thirty years for the building.

The Chamber generally capitalizes all expenditures for property and equipment in excess of \$1,000.

*Membership Dues:*

Membership dues are recognized as revenue ratably over the periods which members are entitled to services.

*Visitor and Convention Bureau (V&CB):*

The V&CB is a division of the Chamber. Funding for the V&CB is provided by membership investment, the state of South Carolina, Beaufort County, the Town of Hilton Head Island and Town of Bluffton through accommodations taxes (ATAX) and the Department of Parks, Recreation and Tourism (PRT) funds. Revenue is recognized as services are performed.

*Membership Projects:*

The Chamber conducts various training, educational seminars and promotions for its members. Tickets and sponsorships are sold to cover the expenses of conducting these functions. Project revenue is recognized on an accrual basis as earned.

*Advertising Revenue:*

Advertising revenue is collected in advance and is deferred and recognized over the period the advertisement runs.

*Use of Estimates:*

The preparation of financial statements in conformity with GAAP 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 Chamber has received a determination letter from the Internal Revenue Service (IRS) indicating it is a not-for-profit corporation organized under Section 501(c)(6) of the Internal Revenue Code. However, income from certain activities not directly related to the Chamber's tax exempt purpose is subject to federal and state income tax as unrelated business income. Management has determined that the Chamber has no current obligations for unrelated business income tax. Accordingly, no provisions for federal and state income taxes are required. The Chamber is not classified as a private foundation.

GAAP require management to evaluate tax positions taken by the Chamber and recognize a tax liability (or asset) if the Chamber has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Chamber, and has concluded that as of June 30, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Chamber is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations prior to 2011.

**NOTE 2 - BANK DEPOSITS:**

During the year and at year end, the Chamber's bank balances were in excess of federal depository insurance coverage. Management believes the credit risk associated with exceeding the insurance coverage is balanced by the stability of the financial institution involved.

**NOTE 3 - PROPERTY AND EQUIPMENT:**

Components of property and equipment were as follows:

	JUNE 30,	
	<u>2014</u>	<u>2013</u>
Land	\$ 364,230	\$ 364,230
Building	1,770,293	1,770,293
Furniture and equipment	441,656	649,914
Capital improvements	58,387	56,264
Computer software	66,726	71,197
Total	<u>2,701,292</u>	<u>2,911,898</u>
Less: Accumulated depreciation	<u>(1,690,621)</u>	<u>(1,913,636)</u>
Property and equipment, net	<u>\$ 1,010,671</u>	<u>\$ 998,262</u>

Depreciation expense for the years ended June 30, 2014 and June 30, 2013 was \$60,043 and \$55,883, respectively.

**NOTE 4 - DEFERRED REVENUE:**

Components of deferred revenue were as follows:

	JUNE 30,	
	<u>2014</u>	<u>2013</u>
Membership dues	\$ 258,474	\$ 244,496
Visitor and Convention Bureau revenue	204,940	235,982
Leadership Hilton Head revenue	22,310	20,407
Other	77,733	107,836
Internet sales	99,802	111,908
Totals	<u>\$ 663,259</u>	<u>\$ 720,629</u>

**NOTE 5 - LONG-TERM DEBT:**

Long-term debt consists of the following:

	JUNE 30,	
	<u>2014</u>	<u>2013</u>
Mortgage note payable, bank, secured by land and building, 6.6%, interest and fixed principal payment of \$7,706 due monthly, note matures February 20, 2024.	\$ 656,722	\$ 703,527
Less, current portion	<u>50,034</u>	<u>46,805</u>
Total, long-term portion	<u>\$ 606,688</u>	<u>\$ 656,722</u>

Maturities of long-term debt are as follows:

YEAR ENDING	
<u>JUNE 30,</u>	<u>AMOUNT</u>
2015	\$ 50,034
2016	53,381
2017	57,171
2018	61,116
2019	65,334
2020 and later	<u>369,686</u>
Total	<u>\$ 656,722</u>

The Chamber has an unused line of credit with a bank in the amount of \$3,000,000, collateralized by receivables, interest rate is the bank's prime rate plus 1% and expires on January 3, 2015.

**NOTE 6 - LEASE COMMITMENTS:**

The Chamber leases certain office equipment under noncancelable operating lease agreements. Lease expense charged to operations under lease agreements was approximately \$9,479 and \$9,694 for the years ended June 30, 2014 and 2013, respectively. Future minimum lease payments under these leases are as follows:

YEAR ENDING	
<u>JUNE 30,</u>	<u>AMOUNT</u>
2015	\$ 8,692
2016	<u>2,750</u>
Total	<u>\$ 11,442</u>

The Chamber is lessor under a rental agreement for office space in the Chamber's building. The lease expires on June 30, 2017. Future minimum lease payments receivable under the lease agreement total \$299,815. The lessee is responsible for its direct utilities and maintenance expenses.

The Chamber's lease on the Bluffton office is on a month-to-month basis.

**NOTE 7 - EMPLOYEE BENEFITS:**

The Chamber is a participant in the American Chamber of Commerce 401(k) Retirement/Savings Plan (the Plan). The Chamber contributes a percentage of each eligible employee's salary and matches each employee's contribution to a fixed maximum percentage. The Plan covers employees who have one or more years of service with the Chamber. The Chamber contributed \$68,771 and \$68,157 to the Plan for the years ended June 30, 2014 and 2013, respectively.



J. W. Hunt and Company, LLP

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION**

To the Board of Directors and Members  
of Hilton Head Island - Bluffton  
Chamber of Commerce

We have audited the financial statements of Hilton Head Island – Bluffton Chamber of Commerce as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated September 16, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information presented on pages 13 through 16 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*J.W. Hunt and Company, LLP*

September 16, 2014

**HILTON HEAD ISLAND - BLUFFTON  
CHAMBER OF COMMERCE**

*DESTINATION MARKETING ORGANIZATION OF THE TOWN OF HILTON HEAD ISLAND*

HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU  
SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,  
YEAR ENDED JUNE 30, 2014

	TOWN OF HILTON HEAD ISLAND ACCOMMODATIONS <u>TAX</u>
Revenues - Town of Hilton Head Island - DMO	\$ 1,418,465
Town of Hilton Head Island - Supplemental Grant 2013	287,412
Total revenue	1,705,877
 Expenses:	
Direct marketing:	
Leisure:	
Print media	25,041
Fulfillment	60,164
Golf marketing	179,628
Culinary marketing	52,719
Tennis and leisure marketing	25,000
Social media	26,588
Digital media and marketing	190,322
Broadcast media	24,800
Vacation Planner	45,194
800 Toll-free number	2,329
Destination photography	56,030
Total leisure	687,815
 Public relations:	
Public relations firm	106,674
Special projects/photography	25,060
Total public relations	131,734
 Meetings and group:	
Trade shows	22,260
Site inspections and travel trade associations	1,130
Giveaways	2,017
Trade sponsorships	44,751
Trade media	10,614
Meetings grant promotions	24,430
Lead prospecting program	26,464
Digital meetings and group promotions	11,002
Weddings promotion	260
Total meetings and group	142,928

HILTON HEAD ISLAND - BLUFFTON CHAMBER OF COMMERCE  
 DESTINATION MARKETING ORGANIZATION OF THE TOWN OF HILTON HEAD ISLAND  
 HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU  
 SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,  
 YEAR ENDED JUNE 30, 2014

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TOWN OF HILTON  
 HEAD ISLAND  
 ACCOMMODATIONS  
TAX

Expenses (continued):

Direct marketing (continued):

International:

International promotions	\$ 67,991
Coastal South Carolina	27,900
Coastal South Carolina - staff	6,450
Pow Wow International	8,890
UK/ France sales mission	2,316
Total international	<u>113,547</u>

Market research:

Strategic planning	45,891
General contingency	18,558
Total market research	<u>64,449</u>

Group tour marketing:

Group tour trade shows	3,853
Group tour FAMS	4,539
Total group tour marketing	<u>8,392</u>

Total direct marketing expenses

1,148,865

Sales, marketing, visitor services and administrative:

Salaries and payroll taxes	345,347
Operations	167,104
Employee benefits	44,561
Total sales, marketing, visitor services and administrative	<u>557,012</u>

Total expenses

1,705,877

Excess of revenues over expenses

\$ -



**HILTON HEAD ISLAND - BLUFFTON  
CHAMBER OF COMMERCE**

*DESTINATION MARKETING ORGANIZATION OF THE TOWN OF BLUFFTON*

HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU  
SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,  
YEAR ENDED JUNE 30, 2014

	BLUFFTON ACCOMMODATIONS <u>TAX</u>
Revenues - Town of Bluffton DMO	\$ 80,676
Town of Bluffton - Supplemental Grant	70,000
Total Revenue	150,676
 Expenses:	
Bluffton toll-free number	150
Bluffton specific leisure/media	2,900
Bluffton collateral	4,834
Digital media	9,719
VisitBluffton.org website, e-promos, and social media	4,086
Ad creative, video and production	8,962
Bluffton group tour promotions	1,608
Bluffton fulfillment	1,929
Town of Bluffton - Supplemental Grant	70,000
Social media	1,676
Bluffton visitor research	16,575
Total leisure	122,439
Total direct marketing expenses	122,439
 Administrative:	
Salaries and payroll taxes	17,507
Operations	8,471
Employee benefits	2,259
Total administrative	28,237
Total expenses	150,676
Excess of revenues over expenses	\$ -

**HILTON HEAD ISLAND - BLUFFTON  
CHAMBER OF COMMERCE**

**HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU  
SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,  
YEAR ENDED JUNE 30, 2014**

	ACCOMMODATIONS TAX			PARKS, RECREATION AND TOURISM	MARKETING	MEMBERSHIP	TOTAL
	TOWN OF HHI	BLUFFTON	B/C DMO				
Revenues:							
Town of Hilton Head Island DMO	\$ 1,418,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,418,465
Town of Hilton Head Island Supplemental Grant (FY2013)	287,412	-	-	-	-	-	287,412
Beaufort County DMO / Grants	-	-	322,126	-	-	-	322,126
Town of Bluffton DMO	-	80,676	-	-	-	-	80,676
Town of Bluffton Supplemental Grants	-	70,000	-	-	-	-	70,000
SCPRT DMO grants	-	-	-	763,000	-	-	763,000
SCPRT Co-op grants	-	-	-	589,541	-	-	589,541
Member funding	-	-	-	-	1,468,568	1,697,992	3,166,560
Total revenues	<u>1,705,877</u>	<u>150,676</u>	<u>322,126</u>	<u>1,352,541</u>	<u>1,468,568</u>	<u>1,697,992</u>	<u>6,697,780</u>
Expenses:							
Leisure	687,815	3,929	38,069	273,720	-	-	1,003,533
Town of Bluffton marketing	-	116,902	-	-	-	-	116,902
Beaufort County marketing - Bluffton	-	-	164,056	-	-	-	164,056
Beaufort County marketing - Daufuskie	-	-	5,125	-	-	-	5,125
Meetings and group	142,928	-	3,660	72,344	-	-	218,932
Public relations	131,734	-	-	80,740	-	-	212,474
International	113,547	-	-	69,593	-	-	183,140
Market planning and research	45,891	-	5,280	28,126	-	-	79,297
Group tour marketing	8,392	1,608	4,392	5,143	-	-	19,535
Marketing Co-op programs	-	-	-	584,152	1,108,533	-	1,692,685
Membership related expenses	-	-	-	-	-	439,882	439,882
General contingency	18,558	-	-	-	-	-	18,558
Sales, marketing and administrative	557,012	28,237	101,544	238,723	360,035	1,240,642	2,526,193
Total expenses	<u>1,705,877</u>	<u>150,676</u>	<u>322,126</u>	<u>1,352,541</u>	<u>1,468,568</u>	<u>1,680,524</u>	<u>6,680,312</u>
Excess of revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,468	\$ 17,468