

Audited Financial Statements and
Supplementary Information

MARQUETTE COUNTRY CONVENTION &
VISITORS BUREAU, INC.

May 31, 2011

Audited Financial Statements and
Supplementary Information

MARQUETTE COUNTRY CONVENTION & VISITORS BUREAU, INC.

May 31, 2011

Audited Financial Statements

| | |
|---|---|
| Independent Auditors' Report | 1 |
| Statements of Assets, Liabilities, and Net Assets--Modified Cash Basis | 2 |
| Statements of Revenues, Expenses, and Changes In Net Assets--Modified Cash Basis | 3 |
| Notes to Financial Statements | 4 |

Supplementary Information

| | |
|---|---|
| Independent Auditors' Report on Supplementary Information | 8 |
| Schedules of Expense Centers--Modified Cash Basis | 9 |



INDEPENDENT AUDITORS' REPORT

Board of Directors
Marquette Country Convention &
Visitors Bureau, Inc.
Marquette, Michigan

We have audited the accompanying statements of assets, liabilities, and net assets--modified cash basis of Marquette Country Convention & Visitors Bureau, Inc., (Bureau) (a non-profit organization) as of May 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets--modified cash basis for the years then ended. These financial statements are the responsibility of the Bureau'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 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 audits provide a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared on the modified 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 Marquette Country Convention & Visitors Bureau Inc., as of May 31, 2011 and 2010, and its revenues, expenses, and changes in its net assets for the years then ended, on the basis of accounting described in Note A.

Makela, Toutant, Hill & Nardi, P.C.

November 16, 2011

STATEMENTS OF ASSETS, LIABILITIES, AND NET
ASSETS--MODIFIED CASH BASIS

MARQUETTE COUNTRY CONVENTION & VISITORS BUREAU, INC.

| | May 31 | |
|-------------------------------------|------------------|------------------|
| | 2011 | 2010 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 43,164 | \$ 32,902 |
| Marketable securities--mutual funds | <u>23,658</u> | <u>19,190</u> |
| TOTAL ASSETS | <u>\$ 66,822</u> | <u>\$ 52,092</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accrued payroll taxes | \$ 1,877 | \$ 1,959 |
| Credit card payable | <u>3,125</u> | <u>1,311</u> |
| TOTAL LIABILITIES | <u>5,002</u> | <u>3,270</u> |
| NET ASSETS--Unrestricted | <u>61,820</u> | <u>48,822</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 66,822</u> | <u>\$ 52,092</u> |

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS--MODIFIED CASH BASIS

MARQUETTE COUNTRY CONVENTION & VISITORS BUREAU, INC.

| | Year Ended May 31 | |
|--|-------------------|------------------|
| | 2011 | 2010 |
| | <u>2011</u> | <u>2010</u> |
| UNRESTRICTED REVENUES | | |
| Room assessments | \$ 333,938 | \$ 304,562 |
| Room assessment late fees | 252 | 302 |
| Snowmobile map advertising | 13,388 | 13,788 |
| Web advertising | 650 | 200 |
| Miscellaneous income | 142 | 468 |
| Unrealized gain on marketable securities | 3,496 | 2,230 |
| Interest and dividend income | 1,065 | 961 |
| TOTAL UNRESTRICTED REVENUES | <u>352,931</u> | <u>322,511</u> |
| EXPENSE CENTERS | | |
| Program--Marketing | 275,999 | 240,041 |
| Administrative | 63,934 | 49,543 |
| TOTAL EXPENSE CENTERS | <u>339,933</u> | <u>289,584</u> |
| CHANGE IN NET ASSETS | 12,998 | 32,927 |
| NET ASSETS AT BEGINNING OF YEAR | <u>48,822</u> | <u>15,895</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 61,820</u> | <u>\$ 48,822</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MARQUETTE COUNTRY CONVENTION & VISITORS BUREAU, INC.

May 31, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Bureau

Marquette Country Convention & Visitors Bureau, Inc. (Bureau) is a non-profit organization promoting tourism and convention business in the County of Marquette, Michigan. The Bureau was formed and incorporated on April 2, 1985. Bureau members are owners of motels located in Marquette County. These members are assessed a two percent fee on monthly motel guest room charges to cover the promotional expenses of the Bureau.

Basis of Accounting

The Bureau's financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958 *Financial Statements of Not-for-Profit Organizations*. In accordance with FASB ASC 958, the Bureau is required to report information regarding its financial position and activities according to three classes of net assets--unrestricted, temporarily restricted, and permanently restricted--based on the existence or nature of any donor-imposed restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include checking and money market funds.

Investments

Investments in marketable securities with readily determinable fair values are stated at fair market value as determined by quoted market prices. Realized and unrealized gains and losses are included in the statement of revenues, expenses, and changes in net assets.

Advertising

Advertising costs represent television and print media to promote tourism in the County of Marquette, Michigan. These costs are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS

MARQUETTE COUNTRY CONVENTION & VISITORS BUREAU, INC.

May 31, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts as of and for the year ended May 31, 2010, have been reclassified to conform to the current year's presentation.

Subsequent Events

Subsequent events were evaluated through November 16, 2011, which is the date the financial statements were available to be issued.

NOTE B--INVESTMENTS

Investments, carried at fair value, are summarized as follows:

| | May 31 | |
|--|------------------|------------------|
| | 2011 | 2010 |
| Short-term investments | \$ 10 | \$ 10 |
| Mutual funds | 23,648 | 19,180 |
| TOTAL INVESTMENT IN MARKETABLE SECURITIES | \$ 23,658 | \$ 19,190 |

NOTES TO FINANCIAL STATEMENTS

MARQUETTE COUNTRY CONVENTION & VISITORS BUREAU, INC.

May 31, 2011

NOTE B--INVESTMENTS--Continued

The following table presents information about the Bureau's investments measured at fair value on a recurring basis and the valuation techniques used by the Bureau to determine those fair values. The FASB ASC 820 Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; Level 3 inputs consist of unobservable inputs and have the lowest priority. The Bureau uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

| | Fair Value | Fair Value Measurements at Reporting Date Using: | | |
|------------------------------------|------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>May 31, 2011</u> | | | | |
| Short-term investments | \$ 10 | \$ 10 | | |
| Mutual funds | <u>23,648</u> | <u>23,648</u> | | |
| TOTAL INVESTMENT SECURITIES | <u>\$ 23,658</u> | <u>\$ 23,658</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| <u>May 31, 2010</u> | | | | |
| Short-term investments | \$ 10 | \$ 10 | | |
| Mutual funds | <u>19,180</u> | <u>19,180</u> | | |
| TOTAL INVESTMENT SECURITIES | <u>\$ 19,190</u> | <u>\$ 19,190</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Following is a description of the valuation methodologies used for assets measured at fair value:

Short-term investment and mutual funds are all valued at the closing price reported on the active market on which the securities are traded.

NOTES TO FINANCIAL STATEMENTS

MARQUETTE COUNTRY CONVENTION & VISITORS BUREAU, INC.

May 31, 2011

NOTE C--OPERATING LEASE

The Bureau has a non-cancellable operating lease for office space which expires in April 2013. The lease requires payments of \$1,200 per month. The lease is located in a building owned by a member of the Board of Directors of the Bureau. Rent expense totaled \$14,700 and \$12,400 for the fiscal years ended May 31, 2011 and 2010, respectively. Required annual lease payments are as follows:

| Years Ending May 31 | |
|------------------------|----------|
| 2012 | \$14,400 |
| 2013 | \$12,000 |

NOTE D--INCOME TAX STATUS

The Bureau is a non-profit corporation organized under the provisions of the Michigan Corporation Act (Act 327 P.A. of 1931), as amended. The Bureau has been granted tax-exempt status under Section 501(c)(6) of the Internal Revenue Code.

NOTE E--ADVERTISING INCOME

Advertising income was generated through paid advertisements included in the snowmobile map or featured on the Internet. The Bureau records unrelated business income tax on the cash basis related to this advertising income. During the fiscal years ended May 31, 2011 and 2010, the Bureau received refunds from prior years' returns totaling \$400 and \$1,307, respectively.

NOTE F--CONCENTRATION OF CREDIT RISK

Substantially, all transactions of the Bureau are conducted in Marquette County, Michigan; therefore, the Bureau is affected by regional economic conditions.

SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Marquette Country Convention &
Visitors Bureau, Inc.
Marquette, Michigan

We have audited the financial statements of Marquette Country Convention & Visitors Bureau, Inc., (Bureau) (a non-profit organization) as of and for the years ended May 31, 2011 and 2010, and our report thereon dated November 16, 2011, which expressed an unqualified 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 Schedule of Expense Centers-- Modified Cash Basis, is presented for 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.

Makela, Toutant, Hill & Nardi, P.C.

November 16, 2011

SCHEDULES OF EXPENSE CENTERS--MODIFIED CASH BASIS

MARQUETTE COUNTRY CONVENTION & VISITORS BUREAU, INC.

| | Year Ended May 31 | |
|---|------------------------------|-------------------|
| | 2011 | 2010 |
| Marketing | | |
| Literature production | \$ 18,324 | \$ 24,408 |
| Literature distribution | 6,849 | 19,488 |
| Spring/Summer advertising | 38,750 | 32,871 |
| Media marketing | 28,936 | 9,440 |
| Fall/Winter advertising | 14,474 | 11,876 |
| Familiarization tours | 4,975 | 793 |
| Public relations events | 16 | 148 |
| Trade shows | 14,728 | 13,621 |
| Special contributions | 3,463 | 4,038 |
| Event seed sponsorships | 6,447 | 4,481 |
| Packaging promotion expense | | 136 |
| Employee expense--wages, taxes, etc. | 81,887 | 79,869 |
| Telephone | 3,851 | 2,921 |
| Internet | 1,152 | 1,133 |
| Office supplies | 1,705 | 1,125 |
| Postage--general | 8,340 | 4,345 |
| Office equipment | 818 | 218 |
| Rent--office | 11,025 | 9,300 |
| Travel | 2,696 | 1,239 |
| Memberships | 2,256 | 2,406 |
| Promotional materials | 2,185 | |
| Miscellaneous--marketing | 23,122 | 16,185 |
| | <u>TOTAL PROGRAM</u> | <u>275,999</u> |
| | | <u>240,041</u> |
| Administrative | | |
| Employee expense--wages, taxes, etc. | 22,872 | 21,969 |
| Telephone | 1,284 | 974 |
| Office supplies | 1,705 | 1,125 |
| Postage--general | 927 | 483 |
| Professional and legal service | 14,903 | 14,215 |
| Insurance | 1,319 | 900 |
| Office equipment | 7,360 | 1,966 |
| Rent--office | 3,675 | 3,100 |
| Bank service and finance charges | 270 | 1,199 |
| Travel | 899 | 413 |
| Memberships | 564 | 602 |
| Conferences, meetings, and seminars | 1,642 | 1,003 |
| Unrelated business income tax expense (refunds) | (400) | (1,307) |
| Snowmobile map disbursements | 3,393 | 600 |
| Board of Director's expense | 369 | 610 |
| Maintenance | 1,204 | 1,540 |
| Miscellaneous--administration | 1,948 | 151 |
| | <u>TOTAL ADMINISTRATIVE</u> | <u>63,934</u> |
| | | <u>49,543</u> |
| | <u>TOTAL EXPENSE CENTERS</u> | <u>\$ 339,933</u> |
| | | <u>\$ 289,584</u> |