

**CABARRUS COUNTY TOURISM
AUTHORITY
d/b/a Cabarrus County Convention And
Visitors Bureau**

Audited Financial Statements

June 30, 2014 and 2013

**CABARRUS COUNTY TOURISM AUTHORITY
d/b/a Cabarrus County Convention And Visitors Bureau**

Concord, North Carolina

Audited

Financial Statements

As Of And For

The Years Ended

June 30, 2014 and 2013

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POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cabarrus County Tourism Authority
d/b/a Cabarrus County Convention and Visitors Bureau
Concord, North Carolina

We have audited the accompanying financial statements **Cabarrus County Tourism Authority d/b/a Cabarrus County Convention and Visitors Bureau** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, 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 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 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 **Cabarrus County Tourism Authority d/b/a Cabarrus County Convention and Visitors Bureau** 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.

Potter + Company, P.A.

September 10, 2014
Concord, North Carolina

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,571,216	\$ 1,278,771
Accounts receivable	1,350	-
Accounts receivable - County	<u>373,496</u>	<u>320,014</u>
Total Current Assets	<u>1,946,062</u>	<u>1,598,785</u>
PROPERTY AND EQUIPMENT		
Computer equipment	71,256	71,256
Vehicles	118,407	70,802
Leasehold improvements	189,431	189,431
Office equipment	72,898	72,898
Other fixed assets	<u>7,935</u>	<u>-</u>
	459,927	404,387
Accumulated depreciation	<u>(161,014)</u>	<u>(113,334)</u>
Total Property and Equipment, net	<u>298,913</u>	<u>291,053</u>
TOTAL ASSETS	<u>\$ 2,244,975</u>	<u>\$ 1,889,838</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 45,511	\$ 26,800
Accrued salaries	94,078	86,735
Accrued expenses	<u>11,796</u>	<u>9,890</u>
Total Current Liabilities	<u>151,385</u>	<u>123,425</u>
TOTAL LIABILITIES	<u>151,385</u>	<u>123,425</u>
NET ASSETS		
Unrestricted	1,916,700	1,479,523
Temporarily restricted	<u>176,890</u>	<u>286,890</u>
TOTAL NET ASSETS	<u>2,093,590</u>	<u>1,766,413</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,244,975</u>	<u>\$ 1,889,838</u>

The Accompanying Notes Are An Integral Part Of This Statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>
REVENUE			
Occupancy tax	\$ 4,356,402	\$ -	\$ 4,356,402
Advertising fees	25,786	-	25,786
Program fees	5,008	-	5,008
Interest	3,123	-	3,123
Miscellaneous income	150	-	150
	<u>4,390,469</u>	<u>-</u>	<u>4,390,469</u>
Total Revenue			
Net assets released from restriction	<u>110,000</u>	<u>(110,000)</u>	<u>-</u>
Total Revenue and Reclassifications	<u>4,500,469</u>	<u>(110,000)</u>	<u>4,390,469</u>
EXPENSES			
Program	3,470,298	-	3,470,298
Management and general	592,994	-	592,994
	<u>4,063,292</u>	<u>-</u>	<u>4,063,292</u>
Total Expenses			
Increase (Decrease) in Net Assets	437,177	(110,000)	327,177
Net Assets Beginning of Year	<u>1,479,523</u>	<u>286,890</u>	<u>1,766,413</u>
Net Assets at End of Year	<u>\$ 1,916,700</u>	<u>\$ 176,890</u>	<u>\$ 2,093,590</u>

The Accompanying Notes Are An Integral Part Of This Statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	2013 Total
REVENUE			
Occupancy tax	\$ 4,041,699	\$ -	\$ 4,041,699
Advertising fees	28,227	-	28,227
Program fees	2,117	-	2,117
Interest	5,669	-	5,669
	4,077,712	-	4,077,712
Total Revenue	4,077,712	-	4,077,712
Net assets released from restriction	150,000	(150,000)	-
Total Revenue and Reclassifications	4,227,712	(150,000)	4,077,712
EXPENSES			
Program	3,533,116	-	3,533,116
Management and general	597,020	-	597,020
	4,130,136	-	4,130,136
Total Expenses	4,130,136	-	4,130,136
Increase (Decrease) in Net Assets	97,576	(150,000)	(52,424)
Net Assets Beginning of Year	1,381,947	436,890	1,818,837
Net Assets at End of Year	\$ 1,479,523	\$ 286,890	\$ 1,766,413

The Accompanying Notes Are An Integral Part Of This Statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014

	Program Services	Management & General	Total
Salaries, wages, and bonuses	\$ 808,659	\$ 142,704	\$ 951,363
Payroll taxes	60,890	10,745	71,635
Insurance - health	103,282	18,226	121,508
Employee retirement (LGERS & 401K)	95,666	16,882	112,548
Total salaries and related benefits	1,068,497	188,557	1,257,054
Administration fee	185,147	32,673	217,820
Employee relations	6,576	1,161	7,737
Insurance - general	5,473	966	6,439
Insurance - workers comp	2,806	495	3,301
Insurance - unemployment	16,844	2,972	19,816
Mileage	2,188	386	2,574
Office equipment	34,650	6,115	40,765
Office supplies	10,266	1,812	12,078
Other operating costs	8,856	1,563	10,419
Postage/shipping	18,837	3,324	22,161
Professional services	10,897	1,923	12,820
Rent expense	141,386	24,950	166,336
Staff development	14,638	2,583	17,221
Telephone	27,446	4,844	32,290
Vehicle expense	7,615	1,344	8,959
Advertising/specialties	251,338	44,354	295,692
Collateral production	94,564	16,688	111,252
Corporate communications	10,239	1,807	12,046
Dues and subscriptions	32,630	5,758	38,388
Event expenses	121,896	21,511	143,407
FAM tours	16,788	2,963	19,751
Business development	94,309	16,643	110,952
Media relations	25,106	4,430	29,536
Partnerships	45,065	7,953	53,018
Agreements	16,231	2,864	19,095
Services	126,426	22,311	148,737
Sponsorship	767,616	135,462	903,078
Sports development	110,000	-	110,000
Trade shows	72,831	12,852	85,683
Web technology	82,609	14,578	97,187
Total expenses before depreciation	3,429,770	585,842	4,015,612
Depreciation expense	40,528	7,152	47,680
Total expenses	\$ 3,470,298	\$ 592,994	\$ 4,063,292

The Accompanying Notes Are An Integral Part Of This Statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013

	Program Services	Management & General	Total
Salaries, wages, and bonuses	\$ 746,971	\$ 131,818	\$ 878,789
Payroll taxes	55,720	9,833	65,553
Insurance - health	96,842	17,090	113,932
Employee retirement (LGERS & 401K)	85,772	15,136	100,908
Total salaries and related benefits	985,305	173,877	1,159,182
Administration fee	171,772	30,313	202,085
Employee relations	5,852	1,033	6,885
Insurance - general	5,331	941	6,272
Insurance - workers comp	3,270	577	3,847
Insurance - unemployment	20,566	3,629	24,195
Mileage	1,752	309	2,061
Office equipment	21,202	3,742	24,944
Office supplies	11,654	2,057	13,711
Other operating costs	10,634	1,877	12,511
Postage/shipping	8,472	1,495	9,967
Professional services	9,744	1,719	11,463
Rent expense	129,345	22,826	152,171
Staff development	13,380	2,361	15,741
Telephone	25,565	4,512	30,077
Vehicle expense	8,437	1,489	9,926
Advertising/specialties	266,916	47,103	314,019
Collateral production	97,515	17,209	114,724
Corporate communications	12,819	2,262	15,081
Dues and subscriptions	40,121	7,080	47,201
Event expenses	277,041	48,890	325,931
FAM tours	24,644	4,349	28,993
Business development	159,037	28,065	187,102
Media relations	27,453	4,845	32,298
Agreements	9,310	1,643	10,953
Services	115,252	20,339	135,591
Sponsorship	682,465	120,435	802,900
Sports development	150,000	-	150,000
Trade shows	132,390	23,363	155,753
Web technology	71,202	12,562	83,764
Total expenses before depreciation	3,498,446	590,902	4,089,348
Depreciation expense	34,670	6,118	40,788
Total expenses	\$ 3,533,116	\$ 597,020	\$ 4,130,136

The Accompanying Notes Are An Integral Part Of This Statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 327,177	\$ (52,424)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	47,680	40,788
Changes in net assets and liabilities:		
(Increase) decrease in accounts receivable	(54,832)	14,012
Increase in accounts payable	18,711	2,884
Increase in accrued salaries	7,343	16,878
Decrease in accrued bonuses	-	(5,383)
Increase in accrued expenses	1,906	242
Net Cash Provided by (Used In) Operating Activities	347,985	16,997
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(55,540)	(65,803)
Net Cash Used In Investing Activities	(55,540)	(65,803)
NET INCREASE (DECREASE) IN CASH	292,445	(48,806)
Cash at Beginning of Year	1,278,771	1,327,577
Cash at End of Year	\$ 1,571,216	\$ 1,278,771

The Accompanying Notes Are An Integral Part Of This Statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO THE FINANCIAL STATEMENT
June 30, 2014 and 2013

NOTE 1 - NATURE OF ACTIVITIES

Nature of the Organization

Cabarrus County Tourism Authority d/b/a Cabarrus County Convention and Visitors Bureau (the Organization) is a non-profit organization, incorporated under the laws of the State of North Carolina, created to promote tourism in Cabarrus County, North Carolina. The Organization was created on June 6, 2008. In prior years, the Organization was part of Cabarrus County, North Carolina and was reported as a special revenue fund in the financial statements of Cabarrus County, North Carolina. The Organization is supported by the room occupancy tax in Cabarrus County, North Carolina. Cabarrus County, North Carolina collects and remits the room occupancy tax collected, less an administration fee, to the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. There was no allowance for doubtful accounts at June 30, 2014 and 2013. All accounts receivable are expected to be collected. No amount was written off for the years ended June 30, 2014 and 2013.

Donated Property

Donated property and other noncash donations are recorded as contributions at their estimated fair market value as established by the donor at the date of donation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for the year ended June 30, 2014 and 2013 was \$295,692 and \$314,019, respectively.

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CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the 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 restriction.

Income Tax Status

Cabarrus County Tourism Authority is recognized as an organization exempt from federal income tax and not subject to private foundation status under Section 501(c)(6) of the Internal Revenue Code.

The Organization has adopted ASC 740-10, effective for audit years ending after December 15, 2009, as it relates to uncertain tax positions for the years ended June 30, 2014 and 2013 and has evaluated its tax positions for all open tax years. Currently, the 2011, 2012 and 2013 tax years are open and subject to examination by the Internal Revenue Service. However, the Organization is not currently under audit nor has the Organization been contacted by the Internal Revenue Service.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended June 30, 2014 and 2013.

Net Assets

The net assets of the Organization herein are classified and reported as:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may, or will, be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by or for the benefit of Cabarrus County Tourism Authority. The Organization had no permanently restricted net assets at year end.

Functional Expenses

Expenses are charged directly to program or management and general categories based on specific identification.

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CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value as established by the donor. Repair and maintenance items are charged to expense as incurred. Major renewals and betterments which significantly increase the asset's useful life are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

Computer Equipment	5 years
Vehicles	5 years
Leasehold Improvements	15 years
Office Equipment	5 years
Other fixed assets	5 years

Depreciation expense for the years ended June 30, 2014 and 2013 was \$47,680 and \$40,788, respectively.

Subsequent Events

Management has evaluated subsequent events through September 10, 2014, the date the financial statements were available to be issued.

Sales Tax

The State of North Carolina imposes sales tax on all of the Organization's sales to nonexempt customers. The Organization collects that sales tax from customers and remits the entire amount to the State.

NOTE 3 - CONCENTRATIONS

Approximately 99% of the Organization's funding and accounts receivable for the year ended June 30, 2014 and 2013 comes from Room Occupancy Tax collected by Cabarrus County, North Carolina and disbursed to the Organization.

NOTE 4 - CONCENTRATION OF CASH

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. During the year, the Organization from time to time may have had amounts on deposit in excess of the insured limits. At June 30, 2014 and 2013, all deposits of the Organization in excess of the insured limits were collateralized.

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CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 5 - ACCRUED SALARIES

Accrued salaries consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Accrued wages payable	\$ 44,782	\$ 36,808
Accrued vacation pay	<u>49,296</u>	<u>49,927</u>
	<u>\$ 94,078</u>	<u>\$ 86,735</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

A board member Tim Hagler, is Vice President of Community Relations for Charlotte Motor Speedway. The Organization paid Charlotte Motor Speedway \$500,000 during the years ended June 30, 2014 and 2013, respectively, under a marketing agreement.

A board member, Ray Soporowski, is General Manager of Concord Mills. The Organization paid Concord Mills \$20,000 during the years ended June 30, 2014 and 2013, respectively, under a marketing agreement.

A board member, Jennifer Parsley, is the owner of Adventures in Motorsports. The Organization paid Adventures in Motorsports \$6,285 during the year ended June 30, 2014 for assistance with destination tours.

NOTE 7- RETIREMENT PLAN

The Organization contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

The State's CAFR includes financial statements and required supplementary information for LGERS. This report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454. Plan members are required to contribute 6.0% of their annual covered salary. The Organization contributed 7.74% and 7.41% for the years ended June 30, 2014 and 2013, respectively. The amount paid to the LGERS fund by the Organization during the years ended June 30, 2014 and 2013 was \$68,376 and \$60,277, respectively.

The Organization also offers a NC401(K) tax deferred annuity program. Eligible employees can contribute to the plan from their salary. The Organization currently contributes 5% of the employees' salary. The amount paid to the retirement program by the Organization during the year ended June 30, 2014 and 2013 was \$44,172 and \$40,631, respectively.

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CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 8 - LEASES

The Organization leases its office space, computers, servers, and a copier under operating leases. Lease expense for the years ended June 30, 2014 and 2013 was \$166,336 and \$152,171, respectively

Future minimum lease payments under the operating leases for office space and equipment as of June 30, 2014 are as follows:

<u>Years ending June 30,</u>		
2015	\$	152,864
2016		157,864
2017		47,031
2018		3,100
2019		775
Thereafter		<u>-</u>
	\$	<u>361,634</u>

NOTE 9 - TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets of the Organization consist of monies designated for the Sports Development program in the amount of \$176,890 and \$286,890 at June 30, 2014 and 2013, respectively.

NOTE 10 - RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.