

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORTS

TAMPA BAY CONVENTION & VISITORS BUREAU, INC.
d/b/a TAMPA BAY & COMPANY

September 30, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Tampa Bay Convention & Visitors Bureau, Inc. d/b/a Tampa Bay & Company

We have audited the accompanying statements of financial position of Tampa Bay Convention & Visitors Bureau, Inc. d/b/a Tampa Bay & Company (the "Bureau") as of September 30, 2010 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 audit. The financial statements of the Bureau as of September 30, 2009, were audited by other auditors whose report dated January 29, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tampa Bay Convention & Visitors Bureau, Inc. d/b/a Tampa Bay & Company as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2012 on our consideration of the Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.



CliftonLarsonAllen LLP

Tampa, Florida
January 29, 2012

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

STATEMENTS OF FINANCIAL POSITION

September 30,

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 583,931	\$ 459,140
Accounts receivable		
Local government - resort tax	671,172	574,544
Membership	66,677	71,874
Other	174,035	102,445
Inventory	49,106	59,488
Prepaid expenses and other assets	<u>152,062</u>	<u>63,454</u>
Total current assets	1,696,983	1,330,945
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization	<u>224,078</u>	<u>348,409</u>
TOTAL ASSETS	<u>\$ 1,921,061</u>	<u>\$ 1,679,354</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 273,278	\$ 463,683
Accrued expenses	899,857	669,657
Unearned revenue		
Membership	254,502	368,741
Other	<u>90,653</u>	<u>34,091</u>
Total current liabilities	<u>1,518,290</u>	<u>1,536,172</u>
Commitments and contingencies	-	-
Net assets - unrestricted	<u>402,771</u>	<u>143,182</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,921,061</u>	<u>\$ 1,679,354</u>

The accompanying notes are an integral part of these statements.

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30,

	<u>2010</u>	<u>2009</u>
REVENUES		
Government contracts	\$7,626,474	\$7,276,801
Membership dues	523,944	525,864
Membership events	181,569	41,569
Promotional partnerships	523,363	698,938
Registration and housing	252,483	138,622
Management fee income	386,000	300,000
Visitor information center	74,505	112,924
In-kind contributions	342,225	502,795
Other income	<u>1,703</u>	<u>26,012</u>
Total revenues	<u>9,912,266</u>	<u>9,623,525</u>
EXPENSES		
Sales, marketing and public relations	7,926,653	9,362,260
Convention and visitor services	1,172,632	1,066,955
Membership services	<u>553,392</u>	<u>534,846</u>
Total expenses	<u>9,652,677</u>	<u>10,964,061</u>
Change in net assets	<u>259,589</u>	<u>(1,340,536)</u>
Net assets, beginning of year	<u>143,182</u>	<u>1,483,718</u>
Net assets, end of year	<u><u>\$ 402,771</u></u>	<u><u>\$ 143,182</u></u>

The accompanying notes are an integral part of these statements.

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

STATEMENTS OF CASH FLOWS

For the year ended September 30,

	<u>2010</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	<u>\$ 259,589</u>	<u>\$ (1,340,536)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	119,798	122,407
(Increase) decrease in accounts receivable	(163,021)	59,179
Decrease in inventory	10,382	7,467
(Increase) decrease in prepaid expenses and other assets	(88,608)	6,216
Increase (decrease) in accounts payable and accrued expenses	44,328	(212,702)
(Decrease) in unearned revenue	<u>(57,677)</u>	<u>(63,634)</u>
Total adjustments	<u>(134,798)</u>	<u>(81,067)</u>
Net cash provided by (used in) operating activities	124,791	(1,421,603)
Cash flows from (used in) from investing activities		
Capital expenditures	<u>-</u>	<u>(134,456)</u>
Net increase (decrease) in cash	124,791	(1,556,059)
Cash, beginning of year	459,140	2,015,199
Cash, end of year	<u><u>\$ 583,931</u></u>	<u><u>\$ 459,140</u></u>

The accompanying notes are an integral part of these statements.

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2010

	Sales, Marketing and Public Relations	Convention & Visitor Services	Membership Services	Administration	Total
Salaries	\$ 2,030,372	\$ 329,944	\$ 157,554	\$ 898,704	\$ 3,416,573
Payroll Taxes	147,776	25,943	11,375	54,134	239,228
Employee benefits	308,651	60,178	26,994	141,330	537,152
Total salaries and related expenses	2,486,798	416,065	195,923	1,094,168	4,192,954
Advertising	1,517,747	-	-	-	1,517,747
Contract services	280,173	159,868	-	-	440,041
Cost of good sold	-	-	40,793	-	40,793
Depreciation	-	9,209	-	110,589	119,798
Event hosting	560	-	89,475	1,930	91,965
Fulfillment	161,402	-	-	-	161,402
General and administrative	179,463	15,572	7,574	275,786	478,395
In-Kind contributions	193,869	66,962	81,393	-	342,225
Local and community	13,491	482	3,773	42,825	60,570
Promotions	1,018,300	16,510	1,906	-	1,036,716
Site Visit	104,982	7,739	-	-	112,722
Technology support	-	-	-	133,071	133,071
Tenancy	351,226	122,074	30,264	105,894	609,458
Tradeshaw participation	249,781	1,454	-	-	251,235
Travel	19,464	1,479	1,815	40,826	63,584
Total expenses before overhead allocation	6,577,257	817,413	452,917	1,805,090	9,652,677
Overhead allocation	1,349,396	355,219	100,475	(1,805,090)	-
Total expenses	\$ 7,926,653	\$ 1,172,632	\$ 553,392	\$ -	\$ 9,652,677

The accompanying notes are an integral part of this statement.

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2009

	Sales, Marketing and Public Relations	Convention & Visitor Services	Membership Services	Administration	Total
Salaries	\$ 2,421,617	\$ 363,555	\$ 163,589	\$ 922,234	\$ 3,870,995
Payroll taxes	184,029	27,234	12,059	56,216	279,538
Employee benefits	388,416	69,226	33,514	140,820	631,976
Total salaries and related expenses	2,994,062	460,015	209,162	1,119,270	4,782,509
Advertising	1,945,803	-	-	-	1,945,803
Contract services	312,428	78,388	-	13,750	404,566
Cost of goods sold	-	61,070	-	-	61,070
Depreciation	-	11,211	1,411	109,785	122,407
Events hosting	104,656	6,290	39,833	6,751	157,530
Fulfillment	184,739	176	-	-	184,915
General and administrative	243,062	11,487	26,020	312,309	592,878
In-kind contributions	451,247	27,338	20,408	3,803	502,796
Local and community	28,742	556	1,339	55,712	86,349
Promotions	763,509	15,205	447	12,944	792,105
Site visit	165,282	7,692	-	-	172,974
Technology support	120,005	-	-	658	120,663
Tenancy	379,809	115,334	49,309	114,032	658,484
Tradeshow participation	264,171	1,466	1,100	740	267,477
Travel	35,786	42	2,918	72,789	111,535
Total expenses before overhead allocation	7,993,301	796,270	351,947	1,822,543	10,964,061
Overhead allocation	1,368,959	270,685	182,899	(1,822,543)	-
Total expenses	\$ 9,362,260	\$ 1,066,955	\$ 534,846	\$ -	\$ 10,964,061

The accompanying notes are an integral part of this statement

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

NOTES TO FINANCIAL STATEMENTS

September 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization

The Tampa Bay Convention & Visitors Bureau, Inc. d/b/a Tampa Bay & Company (the "Bureau") is a not-for-profit organization located in Tampa, Florida. The Bureau was incorporated on April 19, 1985 for the purpose of generating economic development within Tampa and Hillsborough County, Florida, by promoting the area as a site for conventions and a destination for visitors.

The operations of the Bureau can be broken down into the following divisions, each of which has a specific function as detailed below:

- Sales, Marketing and Public Relations: This division concentrates on promoting Tampa/Hillsborough County as a competitive convention venue in the international, national, regional and state marketplaces. This division is also responsible for promoting the area as a leisure destination and targets both the consumer and the travel industry through advertising, promotions, direct sales, and public relations.
- Convention and Visitor Services: This division promotes, facilitates, and coordinates with more than 700 businesses throughout Tampa Bay in order to provide a quality experience to conventions and visitors as the Bureau leads the effort of economic development through tourism.
- Membership Services: This division is responsible for managing membership and developing programs for involvement of the community partners in seminars, workshops, special events and other programs of the Bureau.

2. Basis of Accounting

The accompanying financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Bureau as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

The Bureau adheres to the provisions of the Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC").

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows.

FASB ASC 958-605 requires the Bureau to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair values. These three classifications are defined as follows:

- Unrestricted net assets – not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.
- 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 by the passage of time. Currently, the Bureau has no temporarily restricted net assets.
- Permanently restricted net assets – subject to donor-imposed stipulations that they be retained and invested permanently by the Bureau. Currently, the Bureau has no permanently restricted net assets.

3. Accounting Estimates

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

4. Accounts Receivable and Unearned Membership Revenues

Accounts receivable are recorded at estimated net realizable value. None of the accounts receivable at September 30, 2010 and 2009 are deemed to be uncollectible. Therefore, no provision for uncollectible amounts has been made in the accompanying financial statements.

The Bureau currently invoices for membership renewals and event and program sponsorships in advance of the membership renewal date or the date of the event or program. These amounts are recorded in accounts receivable and unearned membership revenues when invoiced. The amount of membership dues deferred is recognized as membership dues revenue ratably on a monthly basis over the membership period. Event and program sponsorships are recognized in revenue in the month of the event or program.

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

5. Inventory

Inventory consists primarily of souvenirs and promotional goods. Inventory is stated at the lower of cost or market, determined by the weighted average method.

6. Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation and amortization is computed utilizing the straight-line method over the estimated useful lives (three to five years) of the related assets.

Cost and related accumulated depreciation are removed from the accounts when assets are retired or otherwise disposed. The difference between the net book value of the assets and the proceeds from their disposition is recognized as a gain or loss. Routine maintenance and repairs are charged to expense as incurred, while costs of betterments and renewals are capitalized. It is the Bureau's policy to capitalize expenditures for furniture and equipment having a unit cost in excess of \$1,000.

7. In-Kind and Non-Cash Contributions

In-kind donation items used by the Bureau are recorded as contributions and expenses to the extent that an objective basis is available to measure the value of such items.

Contributed services are recorded as contributions and expenses at their fair value, to the extent they create or enhance non-financial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations.

A substantial number of volunteers have donated significant amounts of their time and resources toward the objectives of the Bureau; however, no amounts are recorded in the accompanying financial statements for non-specialist services.

8. Income Taxes

The Bureau is incorporated as a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Bureau, however, is subject to taxation for unrelated business income, which includes income from retail operations. The Bureau has income tax matters that may arise from ongoing operations from time to time, and management would make accruals for those matters where appropriate.

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES – Continued

The Bureau follows the income tax standard for uncertain tax positions and has determined that there are no uncertain tax positions as of September 30, 2010. The Bureau files as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

9. Management Fee Income

The Bureau performs management services for the Tampa Bay Sports Commission, Inc. (the Sports Commission), a Florida not-for-profit corporation, in accordance with a management agreement which expires in 2012. The Bureau also performs management services for the Tampa Hillsborough Economic Development Corporation, Inc. (THEDC), a Florida not-for-profit corporation, in accordance with a shared services agreement, dated December 2010, which expires in 2012. Management fees received from the Sports Commission were \$350,000 and \$300,000 during the years ended September 30, 2010 and 2009, respectively. Management fees received from THEDC were \$36,000 during the year ended September 30, 2010. As discussed below, the Bureau also subleases a portion of its office space to THEDC under a lease that expires in 2012.

10. Advertising Costs

Advertising costs are charged to operations when the advertisement is published. Advertising expense was approximately \$1.5 million and \$1.9 million for the years ended September 30, 2010 and 2009, respectively.

11. Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited.

12. Related Party Transactions

The Bureau enters into certain promotional partnership and marketing transactions with organizations affiliated with members of the Bureau's Board of Directors. In addition, the Bureau incurred expenses of approximately \$400,000 during the year ended September 30, 2010, with organizations affiliated with certain members of the Executive Committee of the Board of Directors. These transactions are conducted at arms length and are in the normal course of business.

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2010 and 2009

NOTE B - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at September 30:

	2010	2009
Furniture, computers and equipment	\$ 999,650	\$ 1,004,184
Less accumulated depreciation	775,572	655,775
	<u>\$ 224,078</u>	<u>\$ 348,409</u>

NOTE C - EMPLOYEE BENEFIT PLAN

The Bureau maintains a defined contribution 401(k) plan that provides benefits to all participating full time employees who have reached 21 years of age and have completed one year of service. The Bureau's contributions to the plan are equal to 100% of participant contributions to the plan up to 5% of their annual salary, plus a discretionary profit sharing contribution not to exceed 5% of the annual salary of each participant. The Bureau's contributions to the plan approximated \$139,000 and \$165,000 for the years ended September 30, 2010 and 2009, respectively.

NOTE D - ACCRUED EXPENSES

Accrued expenses and other liabilities consisted of the following at September 30,:

	2010	2009
Accrued bonuses	\$ 359,122	\$ 243,077
Accrued paid time off	445,969	405,821
Accrued 401(k) contribution	14,766	20,759
Other accrued expenses	80,000	-
	<u>\$ 899,857</u>	<u>\$ 669,657</u>

NOTE E - GOVERNMENT CONTRACTS

The Bureau received significant funding (approximately 77% and 74% during the years ended September 30, 2010 and 2009, respectively) from contracts with Hillsborough County, Florida to promote Tampa and Hillsborough County as a site for conventions and a destination for visitors. The total revenue earned on these contracts approximated \$7.6 million and \$7.1 million for the years ended September 30, 2010 and 2009, respectively.

Under the Bureau's primary contract, which expires in September 2013, funds received from the County are based upon the total tourist development tax collected. The Bureau received \$7.4 million and \$6.9 million under this contract for the years ended September 30, 2010 and 2009, respectively.

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2010 and 2009

NOTE F - COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Bureau leases office space in Tampa, Florida under a non-cancelable operating lease agreement that expires in 2017. Rental payments pursuant to this lease approximated \$503,000 and \$457,000 for the years ended September 30, 2010 and 2009, respectively. The Bureau subleases a portion of its office space to THEDC under a lease that expires in 2012. Rental payments received related to this sublease approximately \$53,400 during 2010. The Bureau also leases various equipment under operating leases with terms ranging from two to four years. Rental expenses charged against operations for these equipment leases were approximately \$53,500 and \$46,000 for the years ended September 30, 2010 and 2009, respectively.

The approximate future minimum lease payments, by year and in aggregate, under non-cancelable operating leases with terms of one year or more consist of the following at September 30:

Year ending September 30	Minimum lease payments	Sublease revenue	Net
2011	\$ 543,158	\$ 81,812	\$ 461,346
2012	277,349	34,507	242,842
2013	516,393	-	516,393
2014	526,935		526,935
2015	542,743		542,743
Thereafter	1,086,244		1,086,244
	<u>\$3,492,822</u>	<u>\$ 116,319</u>	<u>\$ 3,376,503</u>

Contract Conditions

Various county contracts require the fulfillment of certain conditions as set forth in the originating contracts. Failure to fulfill the conditions could result in the return of funds related to such contracts. Although this is a possibility, management deems the contingency remote, due to both the nature of the contracts and current conditions. Additionally, the availability of funding under these contracts is subject to change with little or no advance notice.

Tampa Bay Convention & Visitors Bureau, Inc.
d/b/a Tampa Bay & Company

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2010 and 2009

NOTE F - COMMITMENTS AND CONTINGENCIES - continued

ACC Ticket Guarantee

The Bureau and the Tampa Bay Sports Commission, Inc. (the "Commission") entered into an agreement with the Atlantic Coast Conference (the "ACC") to serve as the Local Organizing Committee ("LOC") for the 2008 and 2009 Atlantic Coast Conference Football Championship Game, to be held in December of each those years in Tampa. The contract contains a provision where the LOC jointly and severally guaranteed ticket sales revenue of approximately \$4.3 million and \$5.1 million for the 2008 and 2009 games, respectively.

The contract was amended effective September 1, 2009 where the ticket guarantee was waived for the 2009 game and where all parties agreed that the remaining outstanding balance from the 2008 game's ticket guarantee was \$1.5 million, payable over five years at \$300,000 per year, zero interest, payments due on May 1, beginning in 2010. The remaining balance due under this contract at September 30, 2010 is \$1,015,412.

While the debt has been recorded on the Commission's financial statements, any and all amounts of this debt that cannot be covered by the Commission become the responsibility of the Bureau. The liability of this guarantee could have a material impact on the Bureau's operations depending on how much, if any, of this expense is incurred.

Contract Contingency

On November 24, 2010, the Bureau received a demand letter from a vendor pursuing collection of approximately \$85,000 of costs for work alleged to have been performed by the vendor in July 2010. The Bureau disputes the amounts owed, but has recorded a liability of \$80,000 as an estimate of the potential loss from this dispute. This amount is included in accrued expenses in the accompanying statement of financial position.

NOTE G – SUBSEQUENT EVENTS

The Bureau has evaluated events and transactions occurring subsequent to September 30, 2010 as of January 29, 2012, which was the date the financial statements were available to be issued. Subsequent events occurring after January 29, 2012 have not been evaluated by management. No material events have occurred since September 30, 2010 that requires recognition or disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

TAMPA BAY CONVENTION & VISITORS BUREAU, INC.
d/b/a TAMPA BAY & COMPANY

September 30, 2010 and 2009

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Board of Directors
Tampa Bay Convention & Visitors Bureau, Inc. d/b/a Tampa Bay & Company

We have audited the financial statements of Tampa Bay Convention & Visitors Bureau, Inc. d/b/a Tampa Bay & Company (the "Bureau") as of and for the year ended September 30, 2010 and have issued our report thereon, dated January 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Bureau's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Bureau's internal control to be a significant deficiency:

Lease Accounting

During our audit we noted that the Bureau's accounting for the office lease did not follow GAAP entirely. There were some aspects of the lease, such as rent holidays, discounts, escalating rent payments, and a tenant improvement allowance, that the Bureau did not account for correctly. The Bureau's accounting for the office lease, although not in full compliance with GAAP, is not materially different from GAAP. However future lease transactions, if not accounted for correctly, could have a material impact on the financial statements. Therefore, we recommend that the Bureau perform thorough reviews of all new lease transactions. This review should focus on identifying lease terms that cause rent expense to fluctuate over the term of the lease.

Management Response

The above-referenced office lease was entered into in fiscal 2006 and the accounting for this lease was begun in fiscal 2007. Beginning in fiscal 2009, significant changes were made to accounting and financial personnel, policies and procedures, and oversight such that the possibility of misapplication of accounting principles resulting in a material misstatement of financial statements would be remote. In fact, the lease entered into upon the expiration of the current lease has been thoroughly evaluated and procedures have been established to correctly account for this lease in accordance with GAAP. Further, in fiscal 2009, accounting personnel evaluated the impact of not having accounted for the lease in full compliance with GAAP and determined that the difference was not material to either the prior or subsequent financial statements.

The Bureau's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bureau's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, and applicable city, county and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Tampa, Florida
January 29, 2012