

FINANCIAL *update*

by Darren Gore, chief financial officer

The chamber's financial status is strong and solid. The annual audit, completed as of June 30 2008, earned a positive opinion from our auditors and a perfectly clean management letter. As of Dec. 31, 2008, the chamber's net fund balance was \$4.8 million positive, including net liquid assets of nearly \$3 million. The interim financial report for the current fiscal year, representing six months of activity, was presented to the Finance Review Committee and board of directors on Jan. 20, 2009, reflecting a \$5.9 million surplus. Some members might wonder how the chamber can generate a positive fund balance and operational surplus, while operating as a nonprofit organization. The answer is simple: timing.

Roughly 80 percent to 90 percent of the chamber's resources entail tourism promotion. This percentage has grown in recent years, due to the additional funds raised through the local 2-for-1 matching tourism promotion program. Most of the marketing funds are spent in the first half of the calendar year, to spur spring and summer travel. Most of the matching funds are received in the second half of the calendar year, which reflects activity from June-November. So we pay now and collect later.

This leads to a couple of common questions which our members and finance committee ask quite often:

Why does the chamber's tax return show a net loss and negative fund balance?

The tax return and annual audit are conducted as of June 30, the end of the fiscal year. However, our marketing plan and the associated funds are

structured around a calendar year. So when the audit occurs, we are midway through our "marketing year." Bearing in mind that we spend most of our marketing funds in the first half and collect most of our funds in the second half, the chamber must tap its secured credit line to manage cash flow in the middle of the year. In 2008, the board of directors approved use of our credit line in May 2008 and the credit line was promptly retired four months later. However, the audit and tax return were prepared as of June 30, providing an accurate, but incomplete picture of our financial status.

What is the Myrtle Beach Commerce Center and why does it show a profit?

The Myrtle Beach Commerce Center is a for-profit corporation which is used to report the chamber's taxable income. The commerce center is owned by the chamber, overseen by the chamber's board of directors, and all financial activity is reported under the chamber's financial umbrella.

Why is this necessary?

The Internal Revenue Service requires nonprofit organizations to recognize unrelated business income tax (UBIT). Anything the chamber does that could be in competition with a for-profit entity, such as printing a vacation guide or selling ads on our website, must be recognized as UBIT revenue and taxes paid accordingly. While we would naturally prefer to ignore UBIT guidelines and the extra work they create, we adhere strictly to the law. UBIT revenues and related expenses are reported under the Myrtle Beach Commerce Center.

The chamber's financial health is strong and solid, due in large part to the ongoing support of our members. The changes in the chamber's marketing plan and programs have caused us to rearrange and revise our financial routines somewhat, but we maintain a strict sense of accountability and financial controls. If you have any questions about this information, or other questions related to chamber financial policies and procedures, you are welcome to contact me at any time: Darren Gore, chief financial officer, Darren.Gore@VisitMyrtleBeach.com or (843) 916-7211.

Cash Flow Cycle

