

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

Financial Statements
with Additional Information
Years Ended June 30, 2016 and 2015
and
Independent Auditors' Report



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

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION.....	12
ADDITIONAL INFORMATION:	
Hilton Head Island Visitor and Convention Bureau Schedule of Revenues and Functional Expenses.....	13



J. W. Hunt and Company, LLP

Certified Public Accountants

John C. Creech, Jr., CPA
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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, 2016 and 2015, 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, 2016 and 2015, 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 20, 2016

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

STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash	\$ 1,438,937	\$ 1,276,374
Accounts receivable	28,438	131,096
Less, allowance for uncollectible accounts	(2,995)	(6,335)
Prepaid expenses	91,449	67,525
Other	<u>9,320</u>	<u>9,647</u>
Total current assets	1,565,149	1,478,307
Property and equipment - net	<u>925,928</u>	<u>977,040</u>
Total assets	<u><u>\$ 2,491,077</u></u>	<u><u>\$ 2,455,347</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 328,418	\$ 395,133
Deferred revenue	753,747	581,834
Current portion of long-term debt	57,171	53,381
Other liabilities	<u>122,857</u>	<u>144,367</u>
Total current liabilities	1,262,193	1,174,715
Long-term liabilities:		
Long-term debt, less current portion	<u>496,136</u>	<u>553,307</u>
Total liabilities	<u>1,758,329</u>	<u>1,728,022</u>
Unrestricted net assets	<u>732,748</u>	<u>727,325</u>
Total liabilities and net assets	<u><u>\$ 2,491,077</u></u>	<u><u>\$ 2,455,347</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Unrestricted revenues and other support:		
Visitor and Convention Bureau projects	\$ 5,139,069	\$ 5,100,651
Membership dues	706,915	682,094
Membership projects	814,493	902,781
Brochure advertising	187,328	213,487
Building rent and common share	118,087	118,087
Interest income	<u>5,913</u>	<u>4,814</u>
Total unrestricted revenues and other support	<u>6,971,805</u>	<u>7,021,914</u>
Expenses:		
Visitor and Convention Bureau	3,901,398	3,919,138
Salaries and related benefits	2,104,505	2,110,638
General and administrative	362,552	360,080
Membership projects	362,168	387,672
Bluffton Office	41,109	25,039
Depreciation	67,759	67,330
Building	87,803	105,182
Interest	<u>39,088</u>	<u>42,434</u>
Total expenses	<u>6,966,382</u>	<u>7,017,513</u>
Change in unrestricted net assets	5,423	4,401
Unrestricted net assets at beginning of year	<u>727,325</u>	<u>722,924</u>
Unrestricted net assets at end of year	<u>\$ 732,748</u>	<u>\$ 727,325</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 5,423	\$ 4,401
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	67,759	67,330
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	99,318	(59,839)
(Increase) decrease in prepaid expenses and other assets	(23,597)	(8,112)
Increase (decrease) in accounts payable	(66,715)	216,171
Increase (decrease) in other liabilities	(21,510)	(192)
Increase (decrease) in deferred revenue	<u>171,913</u>	<u>(81,425)</u>
Net cash provided by operating activities	<u>232,591</u>	<u>138,334</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(16,647)</u>	<u>(33,699)</u>
Net cash used by investing activities	<u>(16,647)</u>	<u>(33,699)</u>
Cash flows from financing activities:		
Principal payments on notes payable	<u>(53,381)</u>	<u>(50,034)</u>
Net cash used by financing activities	<u>(53,381)</u>	<u>(50,034)</u>
Net increase in cash	162,563	54,601
Cash at beginning year	<u>1,276,374</u>	<u>1,221,773</u>
Cash at end of year	<u>\$ 1,438,937</u>	<u>\$ 1,276,374</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 39,088</u>	<u>\$ 42,434</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, 2016 AND 2015

**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 20, 2016, 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.

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 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, 2016, 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 2013.

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>2016</u>	<u>2015</u>
Land	\$ 364,230	\$ 364,230
Building	1,780,836	1,780,836
Furniture and equipment	405,842	464,812
Capital improvements	56,102	58,387
Computer software	52,713	66,726
Total	<u>2,659,723</u>	<u>2,734,991</u>
Less: Accumulated depreciation	<u>(1,733,795)</u>	<u>(1,757,951)</u>
Property and equipment, net	<u>\$ 925,928</u>	<u>\$ 977,040</u>

NOTE 4 - DEFERRED REVENUE:

Components of deferred revenue were as follows:

	JUNE 30,	
	<u>2016</u>	<u>2015</u>
Membership dues	\$ 280,322	\$ 259,336
Visitor and Convention Bureau revenue	229,512	140,340
Leadership Hilton Head revenue	14,368	19,218
Other	121,101	57,336
Internet sales	<u>108,444</u>	<u>105,604</u>
Totals	<u>\$ 753,747</u>	<u>\$ 581,834</u>

NOTE 5 - LONG-TERM DEBT:

Long-term debt consists of the following:

	JUNE 30,	
	<u>2016</u>	<u>2015</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.	\$ 553,307	\$ 606,688
Less, current portion	<u>57,171</u>	<u>53,381</u>
Total, long-term portion	<u>\$ 496,136</u>	<u>\$ 553,307</u>

Maturities of long-term debt are as follows:

YEAR ENDING	AMOUNT
<u>JUNE 30,</u>	
2017	\$ 57,171
2018	61,116
2019	65,334
2020	69,782
2021	74,657
2022 and later	<u>225,247</u>
Total	<u>\$ 553,307</u>

The Chamber has an unused line of credit with a bank in the amount of \$3,200,000, collateralized by future expected revenues. The interest rate is the bank's prime rate plus 1% and expires on January 3, 2017.

NOTE 6 - LEASE COMMITMENTS:

The Chamber leases certain office equipment under noncancelable operating lease agreements. Lease expense charged to operations under lease agreements was \$5,843 and \$9,429 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments under these leases are \$3,792 for the year ended June 30, 2017.

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 \$100,960. 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 \$77,164 and \$76,631 to the Plan for the years ended June 30, 2016 and 2015, respectively.



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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, 2016 and 2015, and our report thereon dated September 20, 2016, 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 17 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.

J.W. Hunt and Company, LLP

September 20, 2016

**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, 2016

	TOWN OF HHI ACCOMMODATIONS TAX
Revenues - Town of Hilton Head Island - DMO	\$ 1,671,398
Town of Hilton Head Island - Supplemental Grant 2015-16	403,762
Total revenue	2,075,160
Expenses:	
Direct marketing:	
Leisure:	
Fulfillment	\$ 44,474
Vacation planner	59,362
Print media	58,084
Packaging promotions	39,759
Supplemental grant - Golf Marketing	170,027
Supplemental grant - Leisure	20,000
Supplemental grant - Tennis	82,621
Supplemental grant - Culinary	20,589
Supplemental grant - Digital Wayfinder	19,012
Destination photography	5,166
800 Toll-free number	2,005
Digital promotions	252,310
Social media	54,435
Leisure programs - Other	6,054
Total leisure	833,898
Meetings and group:	
Trade shows	37,645
VCB dues and subscriptions	8,285
Supplemental grant - Meetings	88,775
Meeting FAMS	630
Giveaways	8,894
Site inspections	2,177
Lead prospecting program	27,813
Trade sponsorships	8,797
Digital meetings	9,331
Trade media	18,289
Meetings - Other	430
Total meetings and group	211,066

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, 2016

	TOWN OF HHI ACCOMMODATIONS TAX
Expenses (continued):	
Direct marketing (continued):	
Public relations:	
Public relations firm	\$ 132,973
Special projects/photography	47,105
Total public relations	<u>180,078</u>
Group tour marketing:	
Group tour trade shows	2,662
Group tour FAMS	265
Total motorcoach marketing	<u>2,927</u>
International:	
Coastal South Carolina	21,796
International promotions	73,944
European sales mission(s)	8,998
Pow Wow International	9,471
Total international	<u>114,209</u>
Market research:	
Strategic planning and research	84,884
General contingency	29,687
Total research, planning and contingency	<u>114,571</u>
Total direct marketing expenses	<u>1,456,749</u>
Sales, marketing, visitor services and admin:	
Salaries	\$ 394,579
Payroll taxes	31,566
Employee benefits - 401K	19,729
Employee benefits - Insurance	43,289
Operations - Other	90,288
Operations - Building	38,960
Total sales, marketing, visitor services and admin	<u>618,411</u>
Total expenses	<u>2,075,160</u>
Excess of revenues over expenses	<u>\$ -</u>

**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, 2016

	BLUFFTON ACCOMMODATIONS TAX
Revenues - Town of Bluffton DMO	\$ 79,955
Expenses:	
Bluffton fulfillment	1,589
Vacation planner	2,827
Packaging promotions	6,391
Bluffton toll-free number	63
Digital promotions	12,582
Leisure marketing (Southern Living)	10,823
Leisure marketing (Garden & Gun)	6,000
Leisure marketing (SC PRT website)	4,167
Photography	3,358
Leisure marketing - Other	319
Trade shows (ABA)	1,503
Bluffton visitor research	750
Total direct marketing expenses	50,372
Administrative:	
Salaries	18,875
Payroll taxes	1,510
Employee benefits - 401K	944
Employee benefits - Insurance	2,071
Operations - Other	4,318
Operations - Building expense	1,865
Total administrative	29,583
Total expenses	79,955
Excess of revenues over expenses	\$ -

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

DESTINATION MARKETING ORGANIZATION OF SOUTHERN BEAUFORT COUNTY

HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU
SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,
YEAR ENDED JUNE 30, 2016

	BEAUFORT COUNTY ACCOMMODATIONS <u>TAX</u>
Revenues - Southern Beaufort County DMO	<u>\$ 272,530</u>
Expenses:	
Fulfillment	6,355
Vacation planner	18,972
Packaging promotions	14,913
Southern Living	25,253
Digital promotions	29,358
Garden & Gun	14,000
Destination video	6,150
Photography	4,200
BC/Bluffton - Other leisure	84
Trade shows	5,012
Beaufort County grant - Special projects	14,000
Daufuskie marketing	16,055
BC/Bluffton visitor research	17,341
Total leisure	<u>171,694</u>
Total direct marketing expenses	<u>171,694</u>
Administrative:	
Salaries	64,338
Payroll taxes	5,147
Employee benefits - 401K	3,217
Employee benefits - Insurance	7,059
Operations - Other	14,722
Operations - Building expense	6,353
Total administrative	<u>100,836</u>
Total expenses	<u>272,530</u>
Excess of revenues over expenses	<u><u>\$ -</u></u>

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

**HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU
SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,
YEAR ENDED JUNE 30, 2016**

	<u>ACCOMMODATIONS TAX</u>			<u>PARKS, RECREATION AND TOURISM</u>	<u>MARKETING</u>	<u>MEMBERSHIP</u>	<u>TOTAL</u>
	<u>TOWN OF HHI</u>	<u>BLUFFTON</u>	<u>B/C DMO</u>				
Revenues:							
Town of Hilton Head Island DMO	\$ 1,671,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,671,398
Town of Hilton Head Isl. supplemental grant	403,762	-	-	-	-	-	403,762
Beaufort County DMO / Grants	-	-	272,530	-	-	-	272,530
Town of Bluffton DMO	-	79,955	-	-	-	-	79,955
SCPRT DMO grants	-	-	-	675,000	-	-	675,000
SCPRT co-op grants	-	-	-	675,000	-	-	675,000
Member funding	-	-	-	-	1,548,752	1,645,408	3,194,160
Total revenues	2,075,160	79,955	272,530	1,350,000	1,548,752	1,645,408	6,971,805
Expenses:							
Leisure	833,898	10,871	40,240	321,407	-	-	1,206,416
Town of Bluffton marketing	-	37,248	-	-	-	-	37,248
Beaufort County marketing - Bluffton	-	-	94,552	-	-	-	94,552
Beaufort County marketing - Daufuskie	-	-	16,055	-	-	-	16,055
Meetings and group	211,066	-	-	68,890	-	-	279,956
Public relations	180,078	-	-	109,399	-	-	289,477
International	114,209	-	-	69,383	-	-	183,592
Group tour marketing	2,927	1,503	3,506	1,778	-	-	9,714
Market planning and research	84,884	750	17,341	7,120	-	-	110,095
Marketing co-op programs	-	-	-	533,747	1,110,858	-	1,644,605
Membership related expenses	-	-	-	-	-	403,278	403,278
General contingency	29,687	-	-	-	-	-	29,687
Sales, marketing and administrative	618,411	29,583	100,836	238,276	437,894	1,236,707	2,661,707
Total expenses	2,075,160	79,955	272,530	1,350,000	1,548,752	1,639,985	6,966,382
Excess of revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,423	\$ 5,423