

**PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES**

PENSACOLA, FLORIDA

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

**PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES**

PENSACOLA, FLORIDA

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

CONTENTS

	PAGE
Independent Auditor's Report	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information:	
Schedule of Expenditures of Federal Awards	17
Schedule of Expenditures of State Financial Assistance	19
Other Reports and Schedules:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Independent Auditor's Report on Compliance for Each Major Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General	22
Schedule of Findings and Questioned Costs	25
Summary Schedule of Prior Audit Findings	28

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pensacola Bay Area Chamber of Commerce, Inc.
(d/b/a Greater Pensacola Chamber)
Pensacola, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Pensacola Bay Area Chamber of Commerce, Inc. (d/b/a Greater Pensacola Chamber) (a non-for-profit organization) and Affiliates (collectively, the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

Board of Directors
Pensacola Bay Area Chamber of Commerce, Inc.
(d/b/a Greater Pensacola Chamber)

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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2013 and 2012, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance on pages 17 through 19, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and as required by Chapter 10.650, Rules of the Auditor General, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2014, on our consideration of the Organization'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Pensacola, Florida
June 16, 2014

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012

ASSETS

	2013	2012
Cash and cash equivalents	\$ 2,065,186	\$ 1,255,662
Certificates of deposit	143,962	143,153
Accounts receivable, net	2,154,797	1,683,239
Pledges receivable, net	1,799,005	2,583,643
Prepaid expenses and other assets	36,081	19,916
Property and equipment, net	947,931	1,027,452
Total Assets	\$ 7,146,962	\$ 6,713,065

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 1,586,128	\$ 793,716
Membership dues paid in advance	18,250	22,275
Deferred revenue	367,848	43,025
Accrued payroll	123,078	113,368
Other liabilities	14,995	18,035
Total liabilities	2,110,299	990,419

Commitments and Contingencies

--

--

Net Assets:

Unrestricted -		
Designated for recruitment	170,113	170,113
Designated for Leadership Pensacola	1,400	1,400
Undesignated	3,574,471	3,283,523
Total unrestricted	3,745,984	3,455,036
Temporarily restricted	1,290,679	2,267,610
Total net assets	5,036,663	5,722,646

Total Liabilities and Net Assets

	\$ 7,146,962	\$ 6,713,065
--	---------------------	---------------------

The accompanying notes are an integral
part of these consolidated financial statements.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Change in Unrestricted Net Assets:		
Support, Revenue and Reclassifications:		
Membership dues, net of amounts written off	\$ 487,273	\$ 459,207
Programs:		
Tourism Administration and Convention Committee	5,274,391	4,529,710
Economic Development	656,616	237,198
Military Development	1,157,517	182,529
Foundation / Leadership Pensacola	763,284	1,221,824
Port Security Grant	692,584	1,067,035
Strategic Health Intelligence	798,272	244,703
Other revenue	109,317	133,692
Total support and revenue	9,939,254	8,075,898
Net assets released from restriction - Satisfaction of usage requirements	1,007,126	954,509
Total unrestricted support, revenue and reclassifications	10,946,380	9,030,407
Expenses:		
Program services:		
Tourism Administration and Convention Committee	5,401,822	4,620,968
Economic Development	1,057,815	1,063,945
Military Development	1,181,468	448,805
Foundation / Leadership Pensacola	538,744	538,268
Port Security Grant	688,406	1,044,535
Strategic Health Intelligence	815,476	139,545
Total program services	9,683,731	7,856,066
Supporting services:		
Management and general	971,701	974,678
Total expenses	10,655,432	8,830,744
Change in unrestricted net assets	290,948	199,663

The accompanying notes are an integral
part of these consolidated financial statements.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(Continued)

	2013	2012
Change in Temporarily Restricted Net Assets:		
Support, Revenue and Reclassifications:		
Support-		
Contributions	30,195	73,286
Net assets released from restrictions-		
Satisfaction of usage requirements	(1,007,126)	(954,509)
Change in temporarily restricted net assets	(976,931)	(881,223)
Change in Net Assets	(685,983)	(681,560)
Net Assets, Beginning of Year	5,722,646	6,404,206
Net Assets, End of Year	\$ 5,036,663	\$ 5,722,646

The accompanying notes are an integral part of these consolidated financial statements.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Change in net assets	\$ (685,983)	\$ (681,560)
Adjustments to reconcile change in net assets to net to net cash provided by operating activities -		
Depreciation	82,165	87,134
Bad debt expense	92,880	35,998
Earnings on certificates of deposit	(809)	(59)
Changes in -		
Accounts receivable	(509,715)	(415,939)
Pledges receivable	729,915	803,468
Prepaid expenses and other assets	(16,165)	34,496
Accounts payable	792,412	339,892
Membership dues paid in advance	(4,025)	5,087
Deferred revenue	324,823	(183,125)
Accrued payroll	9,710	5,527
Other liabilities	(3,040)	(5,700)
Net cash provided by operating activities	812,168	25,219
Cash Flows From Investing Activities:		
Purchases of property and equipment	(2,644)	(114,849)
Net Increase (Decrease) in Cash and Cash Equivalents	809,524	(89,630)
Cash and Cash Equivalents at Beginning of Year	1,255,662	1,345,292
Cash and Cash Equivalents at End of Year	\$ 2,065,186	\$ 1,255,662

The accompanying notes are an integral
part of these consolidated financial statements.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity:

The Pensacola Bay Area Chamber of Commerce, Inc. (d/b/a Greater Pensacola Chamber) (the “Chamber”) is a not-for-profit corporation established to promote business development in the Pensacola area. Its primary means of support is from local businesses and local governments. The Pensacola Area Chamber Foundation, Inc. (the “Foundation”) was formed to raise funds to support and promote the Chamber. The Executive Committee of the Chamber’s Board of Directors serves as the Foundation’s Board of Directors. Pensacola Innovation Network, LLC (“PIN”) was formed to enable NAS Pensacola Complex tenant commands to collaborate (with secure point to point capability) large sums of data and images with other Department of Defense organizations and affiliates, to promote regional hospital efficiencies and healthcare delivery, and to promote advanced research. Strategic Health Intelligence, LLC (“SHI”) was formed to facilitate secure data exchange of healthcare information between the Department of Defense, Veterans Administration, and local healthcare facilities. Strategic Health Intelligence Foundation, Inc. (“SHI Foundation”) was formed to raise funds to support and promote the initiative of SHI. The Chamber is the sole member of PIN, SHI, and SHI Foundation.

Principles of Consolidation:

The accounts of the Foundation, PIN, SHI, and SHI Foundation (collectively, “Affiliates”) are consolidated with the Chamber to present the consolidated financial statements of the Pensacola Bay Area Chamber of Commerce, Inc. (d/b/a Greater Pensacola Chamber) and Affiliates. All material intercompany balances and transactions have been eliminated in consolidation.

Financial Statement Presentation:

The Chamber is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. It is the policy of the Board of Directors of the Chamber to review its plans for future expenditures from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing.

Temporarily restricted net assets at September 30, 2013 and 2012 consist primarily of unconditional promises to give with payments due in future periods, and also include contributions that are restricted by a donor for use to promote educational learning at academies and technical schools in Escambia and Santa Rosa counties. The restrictions may be met by the actions of the Chamber or expire by the passage of time.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

For purposes of the statements of cash flows, all highly liquid investments with an original maturity of less than three months and gift cards on hand are considered to be cash equivalents.

Pursuant to its funding agreements with the City of Pensacola and Escambia County, the Chamber is required to maintain separate bank accounts to segregate funds received from these entities.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When the restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as *net assets released from restrictions*. Donor-restricted contributions are classified as unrestricted revenue if the restrictions are met in the same reporting period in which the contributions are received.

Promises to Give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-Kind Donations:

In-kind donations totaling \$278,443 and \$255,415 have been recognized in the accompanying consolidated statements of activities for the years ended September 30, 2013 and 2012, respectively. Major goods or services donated to the Foundation include office space, advertising, and building and advertising for the LeaP class project. The computation of value for the contributions is based on fair value of the contributed item at the date received. Donated goods and services are reported as support and expense in the period received, except for in-kind pledges which are reported as support in the period the pledge is received.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from 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 from members. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

Property and Equipment:

Property and equipment acquired through purchase is recorded at cost. Donated property and equipment is recorded at estimated fair value at the date received. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. The capitalization policy for the Chamber and Affiliates requires applicable costs be recorded as property and equipment when amounts equal or exceed \$1,000. Property and equipment is depreciated using the straight-line and declining balance methods over the estimated useful lives as follows:

Buildings	40 years
Building improvements	15 - 40 years
Furniture, fixtures and equipment	5 - 10 years
Computer equipment and software	3-5 years

Membership Dues Paid in Advance:

Membership dues are recorded as income in the month of the member's anniversary. Dues paid before the anniversary month are considered "Membership Dues Paid in Advance" and are not recognized as income until the anniversary date.

Deferred Revenue:

Income from various dues and fees is deferred and recognized over the periods to which the dues and fees relate.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses:

Directly identifiable expenses are charged to programs and supporting services. Expenses benefiting more than one function are charged to programs and supporting services on the basis of the number of personnel in each department. Management and general expenses include primarily those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Chamber.

Use of 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. Accordingly, actual results could differ from those estimates.

Advertising Costs:

Advertising costs are expensed when incurred. Advertising costs for the years ended September 30, 2013 and 2012 amounted to \$3,714,694 and \$3,647,836, respectively.

Income Taxes:

The Chamber is operating as a not-for-profit corporation, under Section 501(c)(6) of the Internal Revenue Code, and is not subject to income taxes with the exception of unrelated business income derived from advertising and phone commissions. The Foundation is also operating as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. PIN and SHI are Florida limited liability companies and, therefore, are not taxpaying entities for federal income tax purposes. Accordingly, no provision for income taxes has been recorded in the financial statements for these companies. The income or loss of PIN and SHI is passed through to the member and is included on its annual federal informational return. With few exceptions, the Chamber and Affiliates are no longer subject to examination by tax authorities for fiscal years before 2010.

Reclassifications:

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the 2013 presentation.

Subsequent Events:

Management has evaluated subsequent events through June 16, 2014, which is the date the consolidated financial statements were available to be issued.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	<u>2013</u>	<u>2012</u>
Tourism tax receivable	\$ 1,547,287	\$ 798,053
Dues receivable	55,208	91,233
Port Security Grant receivable	144,080	688,820
Strategic Health Intelligence receivables	250,350	24,000
Escambia County receivable	53,314	-
Other receivables	144,487	82,905
	<u>2,194,726</u>	<u>1,685,011</u>
Less allowance for doubtful accounts	<u>(39,929)</u>	<u>(1,772)</u>
	<u>\$ 2,154,797</u>	<u>\$ 1,683,239</u>

NOTE 3 - PLEDGES RECEIVABLE

The Chamber began soliciting pledges in 2010 to fund its Vision 2015 initiative to promote job creation and economic development. Pledges receivable consist of the following:

	<u>2013</u>	<u>2012</u>
In one year or less	\$ 1,182,996	\$ 1,129,015
Between one and five years	856,595	1,820,314
Total pledges receivable	<u>2,039,591</u>	<u>2,949,329</u>
Less discounts to net present value	(36,627)	(76,645)
Less allowance for uncollectible pledges	<u>(203,959)</u>	<u>(289,041)</u>
	<u>\$ 1,799,005</u>	<u>\$ 2,583,643</u>

The discount rate used to calculate net present value is 1.5%.

The Chamber uses the allowance method to determine uncollectible pledges receivable. At September 30, 2013 and 2012, management estimates 10% of total pledges receivable to be uncollectible.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 41,765	\$ 41,765
Building	180,335	180,335
Building improvements	1,551,065	1,551,065
Furniture, fixtures and equipment	201,851	201,851
Computer equipment and software	182,158	179,515
	<u>2,157,174</u>	<u>2,154,531</u>
Less accumulated depreciation	<u>(1,209,243)</u>	<u>(1,127,079)</u>
	<u><u>\$ 947,931</u></u>	<u><u>\$ 1,027,452</u></u>

These amounts include approximately \$1,066,000 at September 30, 2013 and 2012, respectively, for the cost of the Visitors Information Center building, which is located on land leased from the City of Pensacola under a 20-year lease expiring in 2020. The lease requires the Chamber to pay \$10 each year and also requires the Chamber to continue operating the Visitors Information Center on this site for the duration of the lease. If the Chamber ceases to operate the Visitors Information Center on this site, ownership of the building would transfer to the City. On January 1, 2014, the Chamber ceased to be the administrator of tourism funds for Escambia County, and management of the Visitor Information Center transferred to Visit Pensacola, Inc. With the City's approval, Visit Pensacola, Inc. will sublease the Visitor Information Center from the Chamber until such time they have a direct lease of the land with the City.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk - Uninsured Cash Balances:

The Chamber and Affiliates' cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At September 30, 2013, the Chamber had cash balances of \$1,631,547 in excess of insured limits.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

Concentration - Major Support:

The Chamber receives a substantial amount of its support from local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Chamber's programs and activities.

Grant Contingencies:

The Chamber has received state and federal grants. The disbursement of funds received under these programs is subject to review and audit by grantor agencies. Any disbursements disallowed by these agencies could become a liability of the Chamber. In the opinion of management, any such claims should not have a material adverse effect on the financial position of the Chamber.

Operating Lease:

The Foundation leases office facilities under an operating lease expiring in March 2016 from a related party. Rent expense amounted to \$18,750 for the years ended September 30, 2013 and 2012. Future minimum lease payments under the lease are as follows:

2014		\$	28,125
2015			37,500
2016			<u>18,750</u>
		<u>\$</u>	<u>84,375</u>

Contract Commitments:

In April 2012, the Chamber entered into a contract with a company to provide technology services to the Chamber through March 2015. The contract calls for monthly service fees of \$5,687 for the first year and \$5,772 for the last two years of the contract.

Legal Contingencies:

The Chamber is involved in an equal employment opportunity claim. Management believes that any liability that may ultimately result from the resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Chamber.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

Legal Contingencies (Continued):

The Chamber's former Chief Operating Officer filed a lawsuit claiming damages of \$3,262,108.80 for defamation, defamation by implication, and breach of contract. The Chamber has responded and is vigorously defending the claims.

NOTE 6 - RELATED PARTY TRANSACTIONS

Various members of the Chamber's Board of Directors hold key positions with vendors used by the Chamber and Affiliates. There were no amounts payable to these vendors as of September 30, 2013 and 2012, respectively.

Total expenditures to these vendors during the years ended September 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
City of Pensacola - vendor and recipient of pass through funds	\$ 1,176,797	\$ 367,866
Pensacola State College - use of property	177,546	89,600
Hixardt Technologies - technology services	85,671	71,347
Gulf Power - utility services	67,102	31,743
Emerald Coast Utilities Authority - utility services	4,917	4,231
Highpointe Hotel Corporation - meal cost	3,334	-
Independent News - advertising	1,280	1,689
University of West Florida - retreat and continuing education class	434	825
Pensacola Young Professionals - membership purchase	25	-
Innisfree Hotels/Hilton - event costs	-	74,146
Cox Communications - communications services	-	31,752
Regions Financial Corp - banking services	-	2,625
Merrill Land Co/Great Southern Restaurant Group - use of space	-	1,148
Pensacola News Journal - advertising and subscriptions	-	683
Baptist Health Care Leadership Group - recycling	-	100
	<u>\$ 1,517,106</u>	<u>\$ 677,755</u>

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 7 - MANAGEMENT AND GENERAL EXPENSES

Management and general expenses consist of the following:

	<u>2013</u>	<u>2012</u>
Salaries and related payroll expense	\$ 1,052,164	\$ 974,333
Depreciation	82,165	87,134
Bad debt expense	92,880	35,998
Marketing	2,447	97,563
Repairs and maintenance	64,876	56,909
Other	383,744	354,947
Allocation of management and general expenses	<u>(706,575)</u>	<u>(632,206)</u>
	<u>\$ 971,701</u>	<u>\$ 974,678</u>

NOTE 8 - BP FUNDING/LODGING VOUCHER PROGRAM

During the years ended September 30, 2013 and 2012, the Chamber recorded revenue of \$438,683 and \$1,861,390, respectively, of BP advertising funding for marketing related to the Deepwater Horizon oil spill. Of this amount, \$438,683 and \$1,836,066, respectively, were spent on advertising and promotion.

During the years ended September 30, 2010 and 2011, \$231,000 and \$287,500, respectively, of BP advertising funding was spent for a lodging voucher program to provide American Express gift cards to qualifying visitors during the recovery period. All gift cards that had been purchased through September 30, 2012 had been distributed as of that date. During the year ended September 30, 2013, the Chamber purchased gift cards with a total face value of \$140,000 (\$110,000 American Express gift cards and \$30,000 BP gas cards) in order to continue the lodging voucher program. The Chamber was to be reimbursed for the gift card purchases with Escambia County bed tax revenue funding when gift cards were issued to qualifying visitors. At September 30, 2013, the Chamber had gift cards on hand totaling \$92,150, which were included in cash and cash equivalents on the consolidated statements of financial position. Revenues and expenses were recognized when gift cards were issued to qualifying visitors.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 8 - BP FUNDING/LODGING VOUCHER PROGRAM (Continued)

In October 2014, pursuant to a memorandum of understanding among Escambia County, the Greater Pensacola Chamber, and the Perdido Key Chamber of Commerce, Escambia County reimbursed the Greater Pensacola Chamber for all gift cards remaining in inventory. The Chamber then supplied the Perdido Key Chamber with gift cards as needed for their lodging voucher program per the agreement. On January 1, 2014, Visit Pensacola, Inc. became Escambia County's new tourism administrator and all gift cards remaining in the possession or control of the Chamber on that date (face value of \$66,150) were transferred to the possession or control of Visit Pensacola, Inc.

NOTE 9 - RESTATEMENT

The consolidated financial statements as of and for the year ended September 30, 2012 have been restated to reflect corrections to pledges receivable. The restatement increased temporarily restricted contributions and pledges receivable by \$58,921.

NOTE 10 - SUBSEQUENT EVENTS

Divestiture:

On January 1, 2014, the Chamber ceased to be the administrator of tourism funds for Escambia County. The tourism department of the Chamber transferred to a new entity, Visit Pensacola, Inc.

On March 17, 2014, Strategic Health Intelligence, LLC and Strategic Health Intelligence Foundation were sold for \$5,200 to a Chamber employee, who will become an independent contractor. The Chamber will not continue to be involved in the operations of the Strategic Health Intelligence, LLC or Strategic Health Intelligence Foundation.

SUPPLEMENTARY INFORMATION

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor Pass-through Grantor Federal Program Title	CFDA Number	Contract/Grant Number	Federal Expenditures
<u>U.S. Department of Homeland Security</u>			
Port Security Grant Program	97.056	2008-GB-T8-K035	\$ 4,178
Port Security Grant Program	97.056	2009-PU-T9-K008	385,818
Port Security Grant Program	97.056	2010-PU-TO-K028	257,676
Port Security Grant Program	97.056	2011-PU-K00171-S01	<u>44,912</u>
Total Department of Homeland Security			<u>692,584</u>
<u>U.S Department of Labor</u>			
Passed through Workforce Escarosa, Inc.			
Workforce Related Services	17.259	WIA-2013-2014-01	<u>19,487</u>
Total Expenditures of Federal Awards			<u><u>\$ 712,071</u></u>

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2013
(Continued)

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity for the Chamber and the Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the consolidated financial statements.

NOTE 2 - SUBRECIPIENT

Of the expenses presented in the accompanying Schedule of Expenditures of Federal Awards, the Chamber provided Federal awards to a subrecipient totaling \$692,584 under CFDA number 97.056 for the year ended September 30, 2013.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2013

State Grantor			
Pass-through Grantor	CSFA	Contract/Grant	State
<u>State Program Title</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
<u>State of Florida Department of Economic Opportunity</u>			
Passed through University of Central Florida			
Economic Gardening Technical Assistance			
Pilot Program	40.018	FEGTA	<u>\$ 24,450</u>
Passed through Enterprise Florida, Inc.			
Military Base Protection	40.014	DRG 13-09	27,937
Military Base Protection	40.014	DRG 12-03	26,107
Military Base Protection	40.014	DIG-08-08	636,825
Military Base Protection	40.014	DIG-09-08	<u>149,925</u>
			<u>840,794</u>
Total Expenditures of State Financial Assistance			<u><u>\$ 865,244</u></u>

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

OTHER REPORTS AND SCHEDULES

**INDEPENDENT AUDITOR’S 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**

To the Board of Directors
Pensacola Bay Area Chamber of Commerce, Inc.
(d/b/a Greater Pensacola Chamber)
Pensacola, Florida

We have audited, in accordance with the 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, the consolidated financial statements of the Pensacola Bay Area Chamber of Commerce, Inc. (d/b/a Greater Pensacola Chamber) (the “Chamber”) (a not-for-profit organization) and Affiliates (collectively, the “Organization”), which comprise the statement of financial position as of September 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’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.

To the Board of Directors
Pensacola Bay Area Chamber of Commerce, Inc.
(d/b/a Greater Pensacola Chamber)

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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*.

The Organization's Responses to Findings

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subject to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida
June 16, 2014

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND STATE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND CHAPTER 10.650 RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Pensacola Bay Area Chamber of Commerce, Inc.
(d/b/a Greater Pensacola Chamber)
Pensacola, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Pensacola Bay Area Chamber of Commerce, Inc.’s (d/b/a Greater Pensacola Chamber) (the “Chamber”) (a not-for-profit organization) and Affiliates (collectively, the “Organization”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Executive Office of the Governor’s State Projects Compliance Supplement*, that could have a direct and material effect on the Organization’s major federal program and state project for the year ended September 30, 2013. The Organization’s major federal program and state project are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Organization’s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred.

Board of Directors
Pensacola Bay Area Chamber of Commerce, Inc.
(d/b/a Greater Pensacola Chamber)

An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and state project for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Pensacola Bay Area Chamber of Commerce, Inc.
(d/b/a Greater Pensacola Chamber)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Saltmarsh Cleveland & Gund".

Pensacola, Florida
June 16, 2014

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Pensacola Bay Area Chamber of Commerce, Inc. (d/b/a Greater Pensacola Chamber) (the "Chamber") and Affiliates, (collectively, the "Organization").
2. We noted one significant deficiency (item 2013-1) relating to the audit of the consolidated financial statements which is reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the consolidated financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs and state projects were reported in the Independent Auditor's Report on Compliance For Each Major Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance for the major federal program and state project for the Organization expresses an unmodified opinion on the major federal program and state project.
6. There are no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, relative to the major federal program and state project for the Organization.
7. The programs/projects tested as a major program were:

<u>Federal Program</u>	
Port Security Grant Program	CFDA No. 97.056
<u>State Project</u>	
Military Base Protection	CSFA No. 40.014
8. The threshold used for distinguishing between Type A and B programs was \$300,000 for major federal programs and state projects.
9. The Organization did not qualify as a low-risk auditee.

PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013

B. FINDINGS - FINANCIAL STATEMENT AUDIT

**Finding
Number**

Finding

2013-1

Fraud Risk Assessment

We noted that the Organization has not developed a formal risk assessment and monitoring program that is appropriate for the size and complexity of the entity with the aim to identify specific fraud risks and to take appropriate action to reduce or eliminate the risks. We recommend that management schedule a periodic meeting with the Board of Directors to discuss the areas in which the Organization may be vulnerable to fraud and develop and implement processes to help mitigate these risks as they arise. We additionally recommend that the Board of Directors be advised of the Organization's current accounting procedures and be involved in the oversight of the Organization's fraud risk management program. The Board discussions regarding their assessment of the Organization's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements should be documented in the Board minutes, at least annually.

Management's Response:

Management will develop and adopt a formal risk assessment and monitoring program, which the Board of Directors will oversee. The risk assessment and monitoring program will include formal, documented discussions regarding the program, the Chamber's fraud risk and mitigation, and accounting procedures on a regular basis, but not less than annually.

**PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

None.

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

None.

In accordance with Rules of the Auditor General, Section 10.656 (3)(e), no management letter is required because there were no audit findings required to be reported in the management letter.

**PENSACOLA BAY AREA CHAMBER OF COMMERCE, INC.
(d/b/a GREATER PENSACOLA CHAMBER)
AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2013**

**Finding
Number**

Finding

2012-3

U.S. Department of Homeland Security - Port Security Grant Program

Condition:

The Organization passed through a significant amount of federal funds to a subrecipient during 2012. We noted the Organization was not effectively monitoring its subrecipient's compliance with the matching provision of the 2009 Port Security Grant. As a result, if the subrecipient failed to meet the matching requirement, then the subrecipient or the Organization could be required to repay a material amount of grant funds.

Recommendation:

We recommended the Organization formally document and adopt monitoring procedures for any funds provided to a subrecipient to ensure the subrecipient's compliance with requirements of the grant award.

Current Status:

The recommendation was adopted during the year ended September 30, 2013. No similar findings were noted in the 2013 audit.