



Guam Visitors Bureau FY 2011 Financial Highlights

March 2, 2012

In FY 2011, Guam's markets experienced an overall decline of 2% in arrivals, primarily due to the March 11th Triple Disaster in Japan. In spite of such unforeseen events, the Guam Visitors Bureau (GVB) closed Fiscal Year (FY) 2011 with a \$1.6M million (M) increase in net assets (income), compared to the \$201 thousand (K) increase in 2010. GVB took commendable measures to control operating expenses in light of potential decline in tourism, but its revenues remained relatively the same. Independent Auditors Deloitte & Touche, LLP rendered an unqualified (clean) opinion for GVB's financial audit. However, the auditors identified one deficiency regarding the timeliness of recording in-kind contributions.

Revenues and Expenditures

GVB's revenues are primarily appropriated from the Tourist Attraction Fund (TAF) at \$12.2M, and In-kind contributions and membership dues at \$1.12M. GovGuam appropriations only declined \$5K from the prior year. The TAF derives its revenues from the 11% occupancy tax imposed on occupants of hotels and similar facilities on Guam. GVB also received \$100,000 in American Recovery and Reinvestment Act funds for energy efficient retrofitting.

Operating expenses decreased by \$219K from \$13.8M in FY 2010 to \$13.6M in FY 2011. However, when pass thru appropriations are removed, the actual decrease in operating expense is \$979K. Decreases in community programs, materials and supplies, repair and maintenance, equipment, and miscellaneous expenses amounted to \$457K. While marketing continues to be GVB's largest expense item at \$7.2M, marketing expenses decreased by \$859K from almost \$8M in the prior year. GVB reduced its marketing efforts in Japan as a result of the tsunami, but resumed shortly after with an advertising campaign directed towards areas not affected by the tsunami and with special emphasis on families.

These decreases in expense from prior years were offset by increases in pass thru appropriations of \$761K from \$391K to \$1.15M and personnel increases of \$196K to \$1.74M. The pass thru appropriations increase is a result of additional legislative appropriations from the TAF to non-profit organizations. The increases in personnel were due to implementation of salary increments, the implementation of the Hay Study, and the hiring of one additional staff.

Cash Position

GVB has accumulated a strong cash position at \$7M compared to \$6M in the prior year. However, GVB earned only \$10K in interest. GVB should seek better ways to enhance its rate of return on cash.

Overall Decline in Visitor Arrivals

Guam's total visitor arrivals decreased by 2.0%, ending the year with a combined 1.1M visitors from all markets. Japan arrivals decreased by an average 16.1% from April to September, with the largest decrease of 27.2% in May. Additionally, increases in Taiwan, Hong Kong, and China visitor arrivals helped offset the downturn in the Japan market.

Pass thru appropriations

Pass thru appropriations are for certain non-profit organizations and not for GVB operations. GVB does not control the amounts or organizations that are funded as these are designated by law. GVB's role is to obtain appropriate documentation and disburse payments in some cases. Other times, the Department of Administration issues the amounts directly to the non-profit organizations, but GVB must still obtain documentation. Special projects include Reconstruction of San Vitores Road Phase II and III (\$480K), Pa'a Tao Tao Tano (\$125K), Historic Inalahan Foundation (\$125K) and Pacific War Museum (\$75K). Thus, GVB was able to receive pass thru allotments totaling \$1.15M in FY 2011, an increase compared to \$391K in FY 2010.

\$986K for TAF Fund Special Projects

The Government of Guam contributed \$986K to the TAF Fund Special Projects (TAFSP). The TAFSP projects are primarily funded through legislative appropriations from the TAF, which increased by 4% in FY 2011. Among the projects funded are the Island-wide Roadway and Beautification, Tumon Landscaping Maintenance, and Tumon & Hagatna Beach Cleaning and Maintenance which had a combined cost of \$774K in FY 2011 compared to \$814K in FY 2010, or a decrease of \$40K.

Report on Compliance and Internal Control

The independent auditors issued one deficiency related to GVB's internal control over financial reporting. Auditors identified that In-kind Contributions was recorded in the improper period for the amount of \$13K. Auditors recommend forms should be submitted timely and recorded in the correct period.

For a more detailed commentary on GVB's operations, refer to the Management's Discussion and Analysis in the audit report. For more details, view the reports in their entirety at www.guamopa.org or www.visitguam.org.