



Guam Visitors Bureau FY 2010 Financial Highlights

January 28, 2011

The Guam Visitors Bureau (GVB) is to be congratulated for receiving an unqualified (clean) opinion for its FY 2010 financial audit and no findings were identified by independent auditors Deloitte & Touche. This is also the earliest issuance of GVB's financial audit, just four months after the September 30, 2010 fiscal year (FY) end. These accomplishments are attributable to GVB's improved and stabilized accounting infrastructure.

Compared to the 10.7% decline of visitor arrivals in FY 2009, visitor numbers rebounded in FY 2010 increasing by 11.2% or 1,170,857 visitors. According to GVB, this exceeded expectations despite the weak global economy and continuing economic and political uncertainties in Japan. The Tourist Attraction Fund (TAF) revenues are derived from excise taxes imposed on occupants of hotels and similar facilities on Guam. As a result of this increase, hotel occupancy taxes increased by 11.9% to \$21.7 million (M) compared to \$19.4M in FY 2009. Due to this increase, GVB received its entire appropriations with minimal delays. GVB realized an increase in net assets of \$201 thousand (K) from \$12.1M in FY 2009 to \$12.3M in FY 2010.

Revenues and Expenditures Increased

Total revenues increased by 7% or \$865K from \$13.2M in FY 2009 to \$14.0M in FY 2010. Appropriation from the TAF makes up 90% of GVB's revenues followed by in-kind contributions from members and dues of 7%. Government of Guam appropriations for GVB operations increased by \$425K from \$12.2M in FY 2009 to \$12.6M in FY 2010. In-kind contributions from members and dues increased by 38% or \$273K from \$715K to \$988K.

Operational expenses increased by 8% or \$984K from \$12.8M in FY 2009 to \$13.8M on FY 2010. Professional services increased by 9% or \$681K from \$7.3M to \$8.0M. The strengthening of the yen adversely affected GVB's operations impacting their purchasing power, which limited advertisement and public relations expenditures. Specifically, GVB realized a foreign exchange loss of \$56K compared to \$25K in prior year. Grants increased by 106% or \$142K from \$134K in FY 2009 to \$276K in FY 2010 due to new programs such as the Guam Island Fiesta Tour and the Ypao Cultural Village. Materials and supplies increased by more than 250% or \$134K from \$50K to \$184K due to new sponsored events such as the Guam Chamorro Dance Academy where uniforms, brochures and banners were purchased.

\$950K for Tourist Attraction Fund Special Projects

The government of Guam contributed \$950K to the Tourist Attraction Fund Special Projects (TAFSP). The TAFSP projects are primarily funded through legislative appropriations from the TAF. Among the projects funded are the island-wide roadway and beautification, Tumon and Hagatna Bays beach cleaning and maintenance, and Tumon landscaping with a combined cost of \$814K in FY 2010 compared to \$608K in prior year, an increase of \$206K.

Pass thru Appropriations

Two pass thru appropriations totaling \$94K comprised of \$71K payments to the PA'A Taotaotano and \$23K to the Pacific War Museum Foundation were made from the TAF. Unlike other grants where GVB distributes and monitors, these payments were made directly by the Department of Administration to these two organizations, yet GVB is still required to provide oversight.

Report on Compliance and Internal Control

GVB received an unqualified or clean opinion on compliance and internal controls as there were no findings.

Overall Increase in Visitor Arrivals

Guam's total visitor arrivals increased by 11.2% and finished the year with the best September arrivals in the last five years. Guam's larger markets, Japan and Korea, increased by 8.6% and 43.3%, respectively. Contributing factors to the Japan market increase is the increased seat inventory from Osaka. Korea's market increase stemmed from the expanded seat increase, normalization of travel, and differentiated destination acceptance of the new U.S. Visa Waiver policy.

Despite Japan's positive market, shorter average stays and group tours negatively impacted average length of stay for the second straight year, from 3.5 days to 3.0 days visit. In addition, local spending by the Japan market decreased by 33% from \$666 to \$499. According to GVB, the challenge ahead is sustaining or growing Guam's market share while working to improve destination yields by lengthening visitor stays, attracting more affluent visitors, creating more events, promoting higher value tours, and encouraging repeat travel to Guam.

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.com.