



CITY OF BEVERLY HILLS STAFF REPORT

Meeting Date: December 16, 2008
To: Honorable Mayor & City Council
From: Noel Marquis, Assistant Director of Administrative Services -
Finance
Subject: Presentation of Beverly Hills Chamber of Commerce Audit by
Mayer Hoffman McCann P.C.
Attachments:

1. Beverly Hills Chamber of Commerce and Civic Association
Financial Statements for Year Ended June 30, 2008
2. Beverly Hills Chamber of Commerce and Civic Association
SAS 112 Letter for Year Ended June 30, 2008

INTRODUCTION

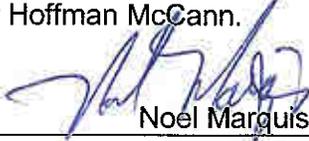
This report is to present to the City Council the audited financial statements and additional information and the SAS 112 letter compiled and audited by Mayer Hoffman McCann P.C. for the Beverly Hills Chamber of Commerce and Civic Association for the Year Ended June 30, 2008 as directed by the City of Beverly Hills.

DISCUSSION

Because of the level of funding provided for tourism and other related program promotion, the City Council directed staff to retained Mayer Hoffman McCann, P.C. to provide professional audits of the Beverly Hills Chamber of Commerce and Civic Association. The audit and other related work for the Year Ended June 30, 2008 are complete and have been transmitted and discussed with the Chamber Management and Board of Directors.

RECOMMENDATION

Staff recommends that the City Council accept the financial statements, SAS 112 letter and other related documents as presented by Mayer Hoffman McCann.


Noel Marquis
Approved By

**BEVERLY HILLS CHAMBER OF COMMERCE
AND CIVIC ASSOCIATION**

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

Year Ended June 30, 2008

(With Independent Auditors' Report Thereon)

**BEVERLY HILLS CHAMBER OF COMMERCE
AND CIVIC ASSOCIATION**

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

Year ended June 30, 2008

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To the Board of Directors

**BEVERLY HILLS CHAMBER OF COMMERCE
AND CIVIC ASSOCIATION**
Beverly Hills, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of the Beverly Hills Chamber of Commerce and Civic Association (the "Chamber", a not-for-profit organization) as of June 30, 2008, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Chamber's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Beverly Hills Chamber of Commerce and Civic Association as of June 30, 2008, and the changes in the net assets and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Irvine, California
October 13, 2008

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

Statement of Financial Position

June 30, 2008

<u>Assets</u>	
Current Assets	
Cash and cash equivalents (note 3)	\$ 392,453
Investments (note 4)	372,366
Other receivables	4,075
Prepays and deposits	<u>58,630</u>
Total current assets	<u>827,524</u>
Property and equipment, net (note 5)	135,010
Other assets	<u>25,410</u>
Total assets	<u>\$ 987,944</u>
<u>Liabilities and Net Assets</u>	
Current liabilities	
Accounts payable	\$ 1,646
Accrued liabilities	133,961
Other liabilities	400
Unearned membership dues (note 6)	187,943
Deferred revenue	72,662
Current portion of long-term note (note 7)	<u>8,412</u>
Total current liabilities	<u>405,024</u>
Long-term liabilities	
Retention bonus payable	25,410
Long-term portion of note (note 7)	<u>89,830</u>
Total long-term liabilities	<u>115,240</u>
Total liabilities	<u>520,264</u>
Net assets (note 13):	
Unrestricted	382,323
Temporarily restricted	<u>85,357</u>
Total net assets	<u>467,680</u>
Total liabilities and net assets	<u>\$ 987,944</u>

See accompanying notes to financial statements.

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

Statement of Activities

Year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Contracts from the City of Beverly Hills (note 9)	\$ -	2,462,772	2,462,772
Additional funding from the City - China	-	4,583	4,583
Advertising revenue and sales	41,546	-	41,546
Health expo	38,850	-	38,850
Celebration of business excellence	68,175	-	68,175
Economic Summit	75,196	-	75,196
Evening with the mayor	25,430	-	25,430
Golf tournament	53,520	-	53,520
Holidays / City funding	-	100,000	100,000
In kind sponsorship / trade / donations	186,042	-	186,042
Investment income (note 4)	30,713	-	30,713
Membership dues	478,053	-	478,053
Mixers and other events	28,945	-	28,945
Other income	59,496	-	59,496
Rent	61,075	-	61,075
On-line auction	16,117	-	16,117
Sponsorship	47,500	-	47,500
Subtotal - revenue and support	<u>1,210,658</u>	<u>2,567,355</u>	<u>3,778,013</u>
Net assets released from restrictions (note 14)	<u>2,587,950</u>	<u>(2,587,950)</u>	<u>-</u>
Total - revenue and support	<u>3,798,608</u>	<u>(20,595)</u>	<u>3,778,013</u>
Expenses:			
Chamber	1,006,042	-	1,006,042
Visitors Bureau	1,986,788	-	1,986,788
Economic Development Council	535,162	-	535,162
Golf tournament	28,419	-	28,419
Health Expo	13,852	-	13,852
Publications	82,070	-	82,070
Real estate	107,105	-	107,105
Total expenses	<u>3,759,438</u>	<u>-</u>	<u>3,759,438</u>
Increase (decrease) in net assets	<u>39,170</u>	<u>(20,595)</u>	<u>18,575</u>
Net assets at beginning of year, as restated (note 15)	<u>343,153</u>	<u>105,952</u>	<u>449,105</u>
Net assets at end of year	<u>\$ 382,323</u>	<u>85,357</u>	<u>467,680</u>

See accompanying notes to financial statements.

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

Statement of Cash Flows

Year ended June 30, 2008

Cash flows from operating activities:	
Increase (decrease) in net assets	\$ 18,575
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:	
Depreciation	40,669
Net unrealized and realized (gain) loss on investments	240
Changes in assets and liabilities:	
(Increase) decrease in other receivables	5,525
(Increase) decrease in prepaids and deopsits	(51,779)
Increase (decrease) in accounts payable	(106,965)
Increase (decrease) in accrued liabilities	17,876
Increase (decrease) in unearned membership dues	14,302
Increase (decrease) in deferred income	<u>67,662</u>
Net cash provided by (used for) operating activities	<u>6,105</u>
Cash flows from investing activities:	
Proceeds from sale of investments	338,392
Purchase of investments	<u>(355,866)</u>
Net cash provided by (used for) investing activities	<u>(17,474)</u>
Cash flows from financing activities:	
Payment of long-term debt	(8,096)
Payment of obligations under capital leases	<u>(14,863)</u>
Net cash provided by (used for) investing activities	<u>(22,959)</u>
Net increase (decrease) in cash and cash equivalents	(34,328)
Cash and cash equivalents at beginning of year	<u>426,781</u>
Cash and cash equivalents at end of year (note 2)	<u>\$ 392,453</u>

Noncash investing and financing activities:

There were no significant noncash investing or financing activities during the year ended June 30, 2008.

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

(1) Description of Operations

The Beverly Hills Chamber of Commerce and Civic Association (the "Chamber") was organized pursuant to the General Nonprofit Corporation Laws of the State of California. The Chamber was established in 1923 for the purpose of advocating on behalf of the Chamber, anticipating trends, advancing knowledge, creating innovative practices that inspire and invigorate, and embody a professional conscience. The Chamber is supported primarily through contracts with City of Beverly Hills (the "City"), membership dues and publication sales.

Economic Development Council Division - The Beverly Hills Chamber of Commerce and Civic Association, Economic Development Council Division (the "Council") is a public/private partnership to promote a healthy economic climate through the attraction, retention and expansion of business in the City. The Council is supported primarily through contracts with the City.

Conference of Visitors Bureau - The mission of the Beverly Hills Chamber of Commerce and Civic Association Conference & Visitors Bureau (the "Visitors Bureau") is to support the economic health of the entire community by promoting selling and marketing the City as exciting and distinctive destination for hotels, conferences, meetings and tourism. As well, the Visitors Bureau supports the City restaurants, retail, spas and services as unique amenities to Beverly Hills' hotel experience. The visitors Bureau is supported primarily through contracts with the City.

(2) Summary of Significant Accounting Policies

A summary of the Chamber's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting - The financial statements of the Chamber have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation - The Chamber has implemented the financial statement presentation recommended by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statement of Not-for-Profit Organizations*. Under SFAS No. 117, the Chamber is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Chamber currently has no permanently restricted net assets.

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

(2) Summary of Significant Accounting Policies, (Continued)

Principles of Consolidation - The financial statements include the accounts and transactions of the various departments of the Beverly Hills Chamber of Commerce and Civic Association. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents have an original maturity date of three months or less from the date of purchase.

Investments - The Chamber's financial statements are presented in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, the Chamber is required to report certain information related to the fair value and type of investments held and their related performance. Marketable debt and equity securities are stated at the respective securities' fair value based upon quotations from national securities exchanges. Investment income includes interest earnings, changes in fair market value, and any gains or losses realized upon liquidation, maturity, or sale of investments.

Property and Equipment - Property and equipment are carried at cost. Expenditures for property and equipment in excess of \$500 are capitalized. Depreciation is computed using the straight-line method over their estimated useful life of the assets. The estimated useful lives of these assets are as follows:

Building	20 years
Building improvements	5 - 20 years
Furniture and equipment	3 - 8 years

Revenue Recognition -

- **Contract Revenues**

The Chamber receives a majority of its support from annual contracts with the City of Beverly Hills. These amounts are recognized in the year to which they apply.

- **Membership Dues**

The Chamber receives support from annual dues paid by its members. The dues are recognized as revenues in the year to which they apply. Dues received prior to June 30 for the ensuing fiscal year are deferred and recognized in the following fiscal year.

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

(2) Summary of Significant Accounting Policies. (Continued)

Deferred Revenue – Deferred revenue primarily consists of revenues received from customers and members in advance of the event.

Allocation of Expenses – The costs of providing various operating and administrative services have been allocated by management to the departments or programs benefited.

Income Taxes – The Chamber is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, and is exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code. The exceptions are the Real Estate and Publication divisions which have been determined to be unrelated business activities whose income is subject to income taxes.

Uses of Estimates – In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - The Chamber maintains its cash balances at a financial institution. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008, uninsured amounts held at this financial institution totaled approximately \$129,298.

Concentration of Revenue – For the year ended June 30, 2008 the Chamber received approximately 68% of its revenues from the City of Beverly Hills to provide services relating to the Chambers Visitor Bureau and Economic Development Council programs.

Restricted and Unrestricted Revenue and Support – The Chamber follows SFAS No.116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

(3) Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2008:

Deposits	\$ 392,003
Petty Cash	<u>450</u>
Total cash and cash equivalents	<u>\$392,453</u>

(4) Investments

The Chamber carries its investments at market value. The difference between market value and cost is recorded as an unrealized gain (loss) which is a component of investment income in the Statement of Activities. Investments consist of the following at June 30, 2008:

	<u>Market Value</u> <u>June 30, 2008</u>
Mutual funds	\$ 80,262
U.S. agency securities	139,572
Equity securities	<u>152,532</u>
Total investments	<u>\$372,366</u>

Investment income (loss) is comprised of the following for fiscal year ended June 30, 2008:

Interest and dividends	\$30,953
Realized gain (loss)	(1,096)
Unrealized gain	<u>856</u>
Total investment income (loss)	<u>\$30,713</u>

(5) Property and Equipment

The following is a summary of property and equipment at June 30, 2008:

Land	\$ 44,524
Building	130,418
Building improvements	404,283
Furniture and equipment	461,012
Less accumulated depreciation	<u>(905,227)</u>
Net property and equipment	<u>\$135,010</u>

Depreciation expense for the year ended June 30, 2008 was \$40,669.

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

(6) Unearned Membership Dues

Membership dues are billed on a monthly basis and are due to the Chamber on the day billed and provide membership for a consecutive twelve month period. As such, a portion of each months membership dues received by the Chamber apply to the subsequent fiscal year and the revenue recognition for those dues are deferred on the Statement of Financial Position in the current fiscal year and recognized when earned in the subsequent fiscal year. Unearned membership dues as of June 30, 2008 were \$187,943.

(7) Long-term Debt

Long-term debt consists of a loan payable to the Small Business Administration. The loan is payable in monthly installments of \$1,018 including principal and interest at 4% per annum. All unpaid principal and interest is due in February 2018. The note is secured by a deed of trust on the real estate located in California.

The combined aggregate amounts of maturities for long-term debt are as follows:

<u>Years ending June 30,</u>	
2009	\$ 8,412
2010	8,754
2011	9,111
2012	9,482
2013	9,869
2014-2018	<u>52,614</u>
Total future minimum loan payments	98,242
Less current portion	<u>8,412</u>
Long-term portion	<u>\$89,830</u>

(8) Membership Statistics

Presented below is the annual membership statistics of the Chamber for the year ended June 30, 2008:

Beginning	695
New members and reinstatements	237
Terminations	<u>(180)</u>
Ending	<u>752</u>
Net increase (decrease)	<u>57</u>

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2008

(9) Contracts with the City of Beverly Hills

The City and the Chamber entered into an agreement in which an economic development program would be established for the purpose of attracting new businesses to locate within the City. For the year ended June 30, 2008, the City funding of this program totaled \$426,772

The Visitors Bureau Division and the City entered into a contract whereby the Visitors Bureau will provide promotional, publicity, and advertising activities for the benefit of the City. For the year ended June 30, 2008, the aforementioned contracts called for the City funding in the amounts of \$2,140,583.

(10) Lease Commitments

The Chamber has three operating leases for office equipment which expire during various months through October 2011. The total future minimum non-cancellable lease payments are as follows:

<u>Years ending June 30,</u>	
2009	\$12,133
2010	1,569
2011	<u>523</u>
Total	<u>\$14,225</u>

(11) Employee Retirement Plan

The Chamber has a contributory benefit plan organized under Section 401(k) of the Internal Revenue Code. Contributions are made in accordance with the plan agreement. Employees may contribute up to \$15,000 of gross earnings for calendar year 2007. For calendar year 2007, \$5,000 is allowed as catch-up contribution for employees with ages of 50 and older. Total contributions by the Chamber were \$25,605 for the year ended June 30, 2008.

(12) Line of Credit

The Company has available a revolving bank line of credit amounting to \$350,000, expiring on May 10, 2011, with an annual interest rate of 2% over the Bank's Prime Rate (10.25% at June 30, 2008). The outstanding balance at June 30, 2008 was \$0.

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

(13) Net Assets

Unrestricted net assets:

Investment in land, buildings, improvements and furniture and equipment, net of related debt	\$ 36,768
Available for operations	<u>345,666</u>
Total unrestricted net assets	<u>382,323</u>

Temporarily restricted net assets:

Restricted for subsequent years' operations and programs	<u>85,357</u>
Total net assets	<u>\$467,680</u>

(14) Net Assets Released from Restrictions

During the fiscal year ended June 30, 2008, \$2,587,950 of temporarily restricted net assets were released to unrestricted net assets as a result of the satisfaction of grantor imposed restrictions. There were no permanently restricted net assets during the fiscal years ended June 30, 2008.

(15) Restatement of Net Assets

Beginning unrestricted net assets have been restated to properly reflect the following items that were not properly recorded on the books of the Chamber for the year ended June 30, 2007:

Beginning unrestricted net assets, as originally reported	\$593,422
Adjustment to properly reflect membership dues received during the fiscal year ended June 30, 2007, that were earned until the fiscal year ended June 30, 2008.	(173,641)
Adjustment to properly reflect employee compensations earned during the fiscal year ended June 30, 2007, that was paid during the fiscal year ended June 30, 2008.	<u>(76,628)</u>
Beginning unrestricted net assets, as restated	<u>\$343,153</u>

ADDITIONAL INFORMATION



Mayer Hoffman McCann P.C.

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To the Board of Directors

**BEVERLY HILLS CHAMBER OF COMMERCE
AND CIVIC ASSOCIATION**
Beverly Hills, California

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our report on our audit of the financial statements of the Beverly Hills Chamber of Commerce and Civic Association for the year ended June 30, 2008 appears on page one. This audit was conducted for the purpose of forming an opinion of the basic financial statements taken as a whole. The Schedule of Departmental Activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer Hoffman McCann P.C.

Irvine, California
October 13, 2008

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION

Schedule of Departmental Activities

Year ended June 30, 2008

	Chamber	Visitors Bureau	Economic Development Council	Golf Tournament
Revenue and support:				
Contracts from the City of Beverly Hills	\$ -	2,036,000	426,772	- -
Additional funding from the City - China	-	4,583	-	-
Advertising revenue and sales	-	-	-	-
Health expo	-	-	-	-
Celebration of business excellence	68,175	-	-	-
Economic Summit	-	-	75,196	-
Evening with the mayor	25,430	-	-	-
Golf tournament	-	-	-	53,520
Holidays / City funding	-	100,000	-	-
In kind sponsorship / trade / donations	186,042	-	-	-
Investment income	10,908	16,688	-	-
Membership dues	378,053	-	100,000	-
Mixers and other events	28,945	-	-	-
Other income	58,536	960	-	-
Rent	66,000	-	-	-
On-line auction	-	-	-	16,117
Sponsorship	45,000	-	-	-
Total revenue and support	<u>867,089</u>	<u>2,158,231</u>	<u>601,968</u>	<u>69,637</u>
Expenses:				
Operating expenses:				
Affinity partners	49,465	-	-	-
Celebration of business excellence	36,102	-	-	-
Collateral	-	49,455	-	-
Direct expenses - holidays	-	91,617	-	-
Employee Benefits	107,978	124,693	54,731	-
Food, beverage, and entertainment	33,006	-	39,424	-
Golf tournament facility expenses	-	-	-	15,000
Furniture rental	-	-	-	-
Insurance	-	-	-	-
Membership services	19,540	-	-	-
Miscellaneous	5,434	6,982	3,053	4,730
New York outreach program	-	-	14,711	-
Postage & delivery	25,401	11,104	10,032	-
Printing	-	4,273	7,906	2,739
Repairs and maintenance	-	-	-	-
Research and survey	-	25,952	-	-
Salaries and commissions	360,780	592,710	254,629	5,950
Supplies	6,512	3,691	2,358	-
Taxes	-	-	-	-
Telephone	12,262	14,504	7,500	-
Use of in kind sponsorship/trade/donations	186,042	-	-	-
Utilities	-	8,000	5,000	-
Rent	-	36,000	30,000	-
Website expense / upgrade	-	16,125	8,579	-
Total operating expenses	<u>842,522</u>	<u>985,106</u>	<u>437,923</u>	<u>28,419</u>

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION
Schedule of Departmental Activities
Year ended June 30, 2008

	<u>Health Expo</u>	<u>Publications</u>	<u>Real Estate</u>	<u>Eliminations</u>	<u>Total</u>
Revenue and support:					
Contracts from the City of Beverly Hills	-	-	-	-	2,462,772
Additional funding from the City - China	-	-	-	-	4,583
Advertising revenue and sales	-	41,546	-	-	41,546
Health expo	38,850	-	-	-	38,850
Celebration of business excellence	-	-	-	-	68,175
Economic Summit	-	-	-	-	75,196
Evening with the mayor	-	-	-	-	25,430
Golf tournament	-	-	-	-	53,520
Holidays / City funding	-	-	-	-	100,000
In kind sponsorship / trade / donations	-	-	-	-	186,042
Investment income	-	3,088	29	-	30,713
Membership dues	-	-	-	-	478,053
Mixers and other events	-	-	-	-	28,945
Other income	-	-	-	-	59,496
Rent	-	-	61,075	(66,000)	61,075
On-line auction	-	-	-	-	16,117
Sponsorship	-	2,500	-	-	47,500
Total revenue and support	<u>38,850</u>	<u>47,134</u>	<u>61,104</u>	<u>(66,000)</u>	<u>3,778,013</u>
Expenses:					
Operating expenses:					
Affinity partners	-	-	-	-	49,465
Celebration of business excellence	-	-	-	-	36,102
Collateral	-	-	-	-	49,455
Direct expenses - holidays	-	-	-	-	91,617
Employee Benefits	-	-	-	-	287,402
Food, beverage, and entertainment	300	-	-	-	72,730
Golf tournament facility expenses	-	-	-	-	15,000
Furniture rental	5,000	-	-	-	5,000
Insurance	-	-	6,000	-	6,000
Membership services	-	-	-	-	19,540
Miscellaneous	1,610	1,073	4,121	-	27,003
New York outreach program	-	-	-	-	14,711
Postage & delivery	-	-	-	-	46,537
Printing	1,121	20,209	-	-	36,248
Repairs and maintenance	-	-	59,676	-	59,676
Research and survey	-	-	-	-	25,952
Salaries and commissions	3,863	22,000	18,000	-	1,257,932
Supplies	1,958	4,283	454	-	19,256
Taxes	-	-	6,049	-	6,049
Telephone	-	-	-	-	34,266
Use of in kind sponsorship / trade / donations	-	-	-	-	186,042
Utilities	-	-	12,805	-	25,805
Rent	-	-	-	(66,000)	-
Website expense / upgrade	-	26,808	-	-	51,512
Total operating expenses	<u>13,852</u>	<u>74,373</u>	<u>107,105</u>	<u>(66,000)</u>	<u>2,423,300</u>

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION
Schedule of Departmental Activities

(Continued)

	<u>Chamber</u>	<u>Visitors Bureau</u>	<u>Economic Development Council</u>	<u>Golf Tournament</u>
Administrative expenses:				
Accounting	19,413	9,000	5,700	-
Bank charges	11,063	1,315	24	-
CEO expenses	11,161	-	-	-
Depreciation	36,296	3,862	511	-
Dues, subscriptions and conference	10,241	12,232	763	-
Equipment leases and rentals	11,608	7,000	4,000	-
Insurance	8,559	9,600	5,400	-
Legal	3,837	3,292	-	-
Licensing / branding	3,110	18,000	22,500	-
Office equipment and supplies	27,600	22,399	14,733	-
Parking	11,040	-	-	-
Total administrative expenses	<u>153,928</u>	<u>86,700</u>	<u>53,631</u>	<u>-</u>
Other expenses:				
Advertising / marketing	-	545,039	-	-
Domestic / international marketing	-	253,247	-	-
Economic summit	-	-	69,284	-
Evening with the mayor	9,592	-	-	-
Public relations	-	134,720	-	-
Fullfillment	-	17,976	-	-
VIP marketing	-	-	4,324	-
Total other expenses	<u>9,592</u>	<u>950,982</u>	<u>73,608</u>	<u>-</u>
Total expenses	<u>1,006,042</u>	<u>2,022,788</u>	<u>565,162</u>	<u>28,419</u>
Increase (decrease) in net assets	<u>\$ (138,953)</u>	<u>135,443</u>	<u>36,806</u>	<u>41,218</u>

BEVERLY HILLS CHAMBER OF COMMERCE AND CIVIC ASSOCIATION
Schedule of Departmental Activities
(Continued)

	Health Expo	Publications	Real Estate	Eliminations	Total
Administrative expenses:					-
Accounting	-	-	-	-	34,113
Bank charges	-	703	-	-	13,105
CEO expenses	-	-	-	-	11,161
Depreciation	-	-	-	-	40,669
Dues, subscriptions and conference	-	-	-	-	23,236
Equipment leases and rentals	-	-	-	-	22,608
Insurance	-	-	-	-	23,559
Legal	-	-	-	-	7,129
Licensing / branding	-	5,000	-	-	48,610
Office equipment and supplies	-	1,994	-	-	66,726
Parking	-	-	-	-	11,040
Total administrative expenses	<u>-</u>	<u>7,697</u>	<u>-</u>	<u>-</u>	<u>301,956</u>
Other expenses:					
Advertising / marketing	-	-	-	-	545,039
Domestic / international marketing	-	-	-	-	253,247
Economic summit	-	-	-	-	69,284
Evening with the mayor	-	-	-	-	9,592
Public relations	-	-	-	-	134,720
Fullfillment	-	-	-	-	17,976
VIP marketing	-	-	-	-	4,324
Total other expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,034,182</u>
Total expenses	<u>13,852</u>	<u>82,070</u>	<u>107,105</u>	<u>(66,000)</u>	<u>3,759,438</u>
Increase (decrease) in net assets	<u>24,998</u>	<u>(34,936)</u>	<u>(46,001)</u>	<u>-</u>	<u>18,575</u>



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To the Board of Directors

**BEVERLY HILLS CHAMBER OF COMMERCE
AND CIVIC ASSOCIATION**

Beverly Hills, California

In planning and performing our audit of the financial statements of the Beverly Hills Chamber of Commerce (the "Chamber") as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Chambers' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chambers' internal control. Accordingly, we do not express an opinion on the effectiveness of the Chambers' internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Chambers' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Chambers' financial statements that is more than inconsequential will not be prevented or detected by the Chambers' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Chambers' internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. ***We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.*** However, as discussed below, we have identified certain deficiencies in internal control and its operation, some of which we believe meet the definition of significant deficiencies and others which meet the definition of control deficiencies. Items numbers (1) through (4) are considered to be significant deficiencies which we offer the following recommendations for consideration by the Chamber to strengthen its internal control structure.

(1) Cash Receipts and Monthly Bank Reconciliations

During our documentation and testing of internal controls over cash receipting and reconciliation processes, we noted that mail received through the mail is opened by the Information Specialist and any checks received are date stamped. The Information Specialist forwards the checks and other related correspondence to the Controller, who enters the transactions into the accounting system and prepares the bank deposit. The

Board of Directors

**BEVERLY HILLS CHAMBER OF COMMERCE
AND CIVIC ASSOCIATION**

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(1) Cash Receipts and Monthly Bank Reconciliations, (continued)

Controller also has access to cash receipts, prepares the bank deposit, reconciles monthly bank reconciliations, and has the ability to make journal entries to the accounting system and membership management system. We noted that the Chief Executive Officer reviews the monthly bank statements and bank reconciliations prepared by the Controller, however the Chief Executive Officer does not compare and agree the amounts reported on the bank reconciliations to the Chambers general ledger to ensure the accuracy of the bank reconciliation.

Having access to assets with the ability to record and make adjustments to the accounting system, the Controller has the opportunity to misappropriate cash receipts and make necessary adjustments in the accounting system to conceal the transaction.

Recommendation:

We recommend that checks received in the mail and opened by the Information Specialist be restrictively endorsed "for deposit only" immediately upon receipt and that a daily cash receipts log be generated listing all checks received. The daily cash receipts log prepared by the Information Specialist should be reviewed by Officer Manager and compared to the daily bank deposit receipt to ensure all checks received were appropriately deposited by the Controller. Additionally, monies received by Sales Associates for the payment of member dues should also be given to the Information Specialist to the restrictively endorsed and included in the daily cash receipts log. We also recommend that the Chief Executive Officer review the general ledger accounts to ensure amounts reported on the monthly bank reconciliations are accurate and complete. In the review of the general ledger of Chamber bank accounts, the Chief Executive Officer to ensure all entries to the accounts is properly supported and appropriate. Each of the foregoing reviews should be appropriately documented.

(2) Membership Dues and Membership Management System

Currently, the Controller and Chamber Sales Associates have access and abilities to apply or adjust payments to members' accounts in the membership management system. Often, Sales Associates collect membership dues directly from the members and submit the checks to the Controller. Additionally the Controller prepares daily bank deposits, reconciles monthly bank reconciliations, and has the ability to make journal entries to the accounting system and membership management system.

Having access to assets with the ability to record and make adjustments to the accounting system, the Chamber Sales Associates and Controller have the opportunity to misappropriate cash receipts and make necessary adjustments in the accounting system to conceal the transaction.

Board of Directors

**BEVERLY HILLS CHAMBER OF COMMERCE
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(2) Membership Dues and Membership Management System, (continued)

Recommendation:

We recommend that the Chambers Sales Associates and Controller have their rights to apply or adjust member accounts removed to eliminate the opportunity to misappropriate membership dues. As an alternative, if a monthly change list can be produced, reviewed and approved by the CEO, this could serve as a substitute control.

(3) Recording of Fiduciary Liabilities and Corresponding Investment Account

During inquiries of management, we became aware that a retention bonus was funded for the Chief Executive Officer in accordance with the terms of a contract. Per the terms of the contract, the bonus was not earned until July 1, 2008, as such, the asset and correlating liability should have been reflected on the books of the Chamber as the account is in the name of the Chamber and has not been transferred to the Chief Executive Officer.

Recommendation:

Assets (investment account) in the name of the Chamber should be properly recorded and reconciled on the books of the Chamber. A correlating liability should be established to properly reflect the Chambers fiduciary liability. As of June 30, 2008, the Chamber has made the necessary adjustments to properly record this transaction.

(4) Adjustments Detected by the Audit Process

Paragraph 19 of Statements on Auditing Standards No. 112 requires that the auditor include in his report of control deficiencies any material adjustments detected by the audit process. For the year ended June 30, 2008, material adjustments detected by the audit process were as follows:

- An adjustment to accrue additional amounts of employee compensation
- An adjustment to properly reflect beginning net assets for employees expenses incurred in the prior year

Recommendation:

We recommend that management record these adjustments during the year as needed and prior to the start of the audit.

Board of Directors

**BEVERLY HILLS CHAMBER OF COMMERCE
AND CIVIC ASSOCIATION**

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We have identified other deficiencies in internal control and its operation that we have considered to be control deficiencies. We offer the following recommendations for consideration by the Chamber to strengthen its internal controls.

(5) Improve Documentation for Cash Disbursements

During our testing of internal controls over cash disbursements and other test performed during our audit we noted the following items:

- Two of the twenty-five randomly selected cash disbursements tested did not have adequate documentation supporting the transaction.
- One disbursement tested had an invoice that did not have adequate documentation indicating the purpose of the expense.
- One pre-paid expense tested did not have a detailed listing of services to be provided nor did it indicate when the services were to be provided.

Recommendation:

All disbursements processed by the Chamber should have adequate documentation supporting the disbursement, including documentation indicating the purpose of the expense and appropriate invoices and approvals. The Chamber should also require that vendors provide a detailed explanation of the services provided on invoices.

(6) Consider Reducing Number of Checking Accounts

Currently the Chamber has sixteen different checking accounts with balances at June 30, 2008. Most of these bank accounts are checking accounts with separate check stock and different purposes for the funds. Numerous bank accounts result in complexity and inefficient administration and increase the opportunity for misappropriations. Time needed to record accounting transactions, as well as fees incurred could be reduced if the Chamber eliminated or combined bank accounts where possible.

Recommendation:

We recommend that management review the functions of all bank accounts to determine whether they are necessary. Approval should be received from the Board of Directors for the final checking accounts authorized by the Board. Only the minimum number of bank accounts consistent with operating requirements should be maintained.

Board of Directors

**BEVERLY HILLS CHAMBER OF COMMERCE
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(7) Approve Journal Entries

Our review of the general journal entries revealed that many entries lack evidence of approval by an individual other than the employee that created and recorded the journal entry. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals.

Recommendation:

We recommend that all journal entries be reviewed and approved by designated member of management other than the employee preparing the journal entry.

(8) Documenting Significant Operational and Accounting Processes

Currently, the Chamber does not have written fiscal policies governing the significant operational and accounting processes of the Chamber. Processes include activities and procedures involved in repeatable operational or accounting transactions or events, such as hiring new employees, soliciting new members, paying invoices, processing payroll, preparing journal entries, cash and investing management, etc.

Recommendation:

We recommend that the Chamber takes measures to institute a program to methodically identify and document its significant operational and accounting processes. Documentation of operational and accounting processes also provides an opportunity for persons involved in a process to consider whether there are inadequacies in the process or more effective, efficient, or profitable ways to perform it. In addition, the documentation can be used in reinforcing established policies and procedures, evaluating performance, or training a new employee to perform the process.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
October 13, 2008