



Guam Visitors Bureau FY 2013 Financial Highlights

February 6, 2014

The Guam Visitors Bureau (GVB) continued its growth in net position (net income), closing Fiscal Year (FY) 2013 with a \$568 thousand (K) increase compared to FY 2012's \$3.1 million (M) increase. This brings cumulative net position to \$17.6M. Independent Auditors Deloitte & Touche, LLP rendered an unqualified (clean) opinion on GVB's financial audit. GVB is to be commended for it is the fourth year that the auditors have not identified any material weaknesses and/or significant deficiencies in its Report on Internal Control Over Financial Reporting and Compliance.

Revenues and Expenditures

GVB's revenues are primarily appropriated from the Tourist Attraction Fund (TAF). The Government of Guam (GovGuam) appropriation of \$15.1M made up 94% of GVB's revenues. This was a slight decrease of 1% or \$76K compared to \$15.2M in FY 2012. Other revenue sources increased which included in-kind contributions and memberships, increased by 225% or \$274K from \$122K in FY 2012 to \$396K in FY 2013, and other non-operating income, increased by 45% or \$99K, from \$220K in FY 2012 to \$319K in FY 2013. Other non-operating income consisted of various collections for different projects and events such as the Ko'ko' Road Race, GVB's Branding initiatives (included sponsorships for the fireworks and BBQ Block Party) and the GVB 02/12 Memorial Fund.

GVB's operating expenditures increased by \$2.6M from \$12.8M in FY 2012 to \$15.4M in FY 2013. The increase in GVB's operating expenditures were made up mostly by the \$1.9M increase in professional services, from \$7.9M in FY 2012 to \$9.7M in FY 2013 followed by a \$358K increase in grants, from \$189K in FY 2012 to \$547K in FY 2013, followed by a \$244K increase in promotional in-kind contributions, from \$84K in FY 2012 to \$328K in FY 2013, and \$217K increase in personnel, from \$1.8M in FY 2012 to \$2.1M in FY 2013. Professional services continue to be GVB's largest line item expenditure increasing by 24% compared to last year's 11% increase. The increase in professional services was due to an increase in GVB's marketing activities in Guam's source markets, and new events such as the Shop Guam Festival campaign, the Guam International Marathon and, in honor of GVB's 50th Anniversary, two fireworks shows were sponsored in Tumon Bay and Hagatna Bay.

GVB's increase in personnel of \$217K or 12%, was primarily due to Merit Bonuses paid to active employees in the amount of \$125K and increments.

Other TAF expenditures administered by GVB totaled \$1.2M for items such as Tumon Landscaping Maintenance, Island Beautification, beach cleaning and maintenance and holiday illumination. This was an increase of 9% or \$105K from prior year of \$1.1M.

Trust Funds

Other funds held in trust by GVB are the Rainy Day Fund per Public Law (PL) 30-116 and the FESTPAC & Folklife Festival Trust Account per PL 31-77. Both funds saw a growth in net position for FY 2013. The Rainy Day Fund increased substantially from \$195K in FY 2012 to \$1.7M in FY 2013. This fund is used to support identified activities to meet unforeseen or unanticipated challenges resulting from a natural or man-made disaster that has occurred on Guam or from external economic conditions that severely affect tourism.

The FESTPAC & Folklife Festival Trust Account increased from \$749K in FY 2012 to \$1M in FY 2013. These funds are to be used for FESTPAC 2016, a major event similar to the SPG (South Pacific Island Games).

Overall Increase in Visitor Arrivals

Guam's tourism industry saw a 5% rise in arrivals for a total of 1.3M visitors during FY 2013, primarily due to an impressive 49% spike in arrivals from Korea, finishing the year with a record-setting 233K visitors from the prior year of 165K. This was the result of the increase in the additional seat capacity provided by Jeju Air, which started flights from Incheon in September 2012, and Korean Air flying regularly scheduled charters out of Busan in October 2012. This positive trend is expected to continue in FY 2014, and GVB is increasing its overall Korea marketing budget to expand consumer and trade activities.

Guam's largest visitor market, Japan, slightly increased from 908K in the previous year to 912K in FY 2013. Russian travelers more than doubled from 2,931 in FY 2012 to 6,134 in FY 2013. Taiwan, Guam's third largest Asian source market, brought in 48K and China markets brought in a total of 10K visitors.

Report on Internal Control and Management Letter

The independent auditors did not identify any material weaknesses or significant deficiencies on GVB's Report on Internal Control Over Financial Reporting. The independent auditors did not issue any management letter, for which GVB is to be commended for as well.

For a more detailed discussion on GVB's operations, refer to the Management's Discussion and Analysis in the audit report at www.guamopa.org or www.visitguam.org.