

**FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL
LOUISVILLE, KENTUCKY**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

**STIVERS & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS**

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STIVERS & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Foodservice Consultants
Society International
Louisville, Kentucky

We have audited the accompanying statement of financial position of Foodservice Consultants Society International (a nonprofit organization) as of December 31, 2008 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association'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 the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

As explained in Note A to the financial statements, dues income is recorded in the period received instead in the period billed. In our opinion, accounting principles generally accepted in the United States of America require that such dues be recorded in the period billed. It was not practical to determine the effects of the dues income on the financial statements.

In our opinion, except for the effects of not recording dues in the period billed, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Foodservice Consultants Society International as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States o America.

Stivers & Associates, PSC

March 18, 2009

FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 458,072
Accounts receivable	286,839
Accounts receivable - affiliates	25,220
Prepaid expenses	<u>17,830</u>
TOTAL CURRENT ASSETS	<u>787,961</u>

TOTAL ASSETS	<u>\$ 787,961</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 54,903
Income taxes payable	22,958
Deferred revenue	<u>183,983</u>
TOTAL CURRENT LIABILITIES	261,844

NET ASSETS

Unrestricted	<u>526,117</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 787,961</u>
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See Notes to Financial Statements.

FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008

REVENUE AND SUPPORT

Membership dues		
North american	\$	411,260
European		63,726
Advertising - the consultant & membership directory		826,273
Conferences		119,270
Continuing professional growth program		34,800
Newsletter		50,500
Forum sponsorships		288,000
Interest		979
Subscriptions		940
Miscellaneous		49,104
		<u>1,844,852</u>
TOTAL REVENUE AND SUPPORT		1,844,852

EXPENSES

Program Services		
The Consultant, directories and other publications		348,257
Annual and regional conference expenses		440,303
Membership supplies and campaign		7,567
Special projects - other		20,411
Continuing professional growth program		55,625
North america division		192,964
Chapter/division support		7,873
Website		13,145
		<u>1,086,145</u>
Total Program Services		1,086,145
Supporting Services		
Board and officers expense		90,718
Staff travel and training		41,934
Printing		6,654
Postage, shipping and delivery		5,940
Legal and professional		14,373
Telephone		511
Office supplies		6,491
Insurance		5,282
Bank service charge and credit card fees		5,471
Marketing		10,000
Miscellaneous		1,261
Dues and subscriptions		314
Unallocated payments to related parties		473,395
		<u>662,344</u>
Total Supporting Services		662,344
TOTAL EXPENSES		<u>1,748,489</u>

See Notes to Financial Statements.

FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008

CHANGE IN NET ASSETS BEFORE TAXES	\$ 96,363
PROVISION FOR INCOME TAXES	<u>(22,958)</u>
CHANGE IN NET ASSETS	73,405
NET ASSETS - BEGINNING OF YEAR	<u>452,712</u>
NET ASSETS - END OF YEAR	<u>\$ 526,117</u>

See Notes to Financial Statements.

FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	\$ 73,405
Adjustments to reconcile net income to net cash from operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	(33,419)
Prepaid expenses	109,796
Increase (decrease) in operating liabilities:	
Accounts payable	(95,468)
Accrued income tax	22,958
Deferred revenue	<u>1,457</u>
NET CHANGE FROM OPERATING ACTIVITIES	<u>78,729</u>
NET CHANGE IN CASH	78,729
CASH AT BEGINNING OF YEAR	<u>379,343</u>
CASH AT END OF YEAR	<u><u>\$ 458,072</u></u>
CASH PAID FOR INCOME TAXES	<u><u>\$ 22,958</u></u>

See Notes to Financial Statements.

FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Purpose

Foodservice Consultants Society International (FCSI) focuses on the furtherance of professionalism in foodservice and hospitality consulting through education and personal development, including the certification of consultants. It refers independent consulting firms to prospective clients. FCSI also provides a forum for consultants and those who work with consultants to discuss matters of relevance to the continued development and growth of the foodservice and hospitality industry worldwide.

FCSI's programs include biannual worldwide conferences and various regional events that serve as networking opportunities and forums for the exchange of knowledge, as well as to stimulate interest in new industry developments. Sponsorships support and foster FCSI. The Continuing Professional Growth (CPG) Program for FCSI Professional members elevates standards, enhances individual performance, and recognizes those members who demonstrate knowledge essential to the highest professional level of consulting in the foodservice industry. Published quarterly, *The Consultant* is the official professional journal of FCSI.

Basis of Presentation

FCSI prepares its financial statements utilizing the accrual basis of accounting whereby revenue is recognized as earned and expenses are recorded as incurred except for dues income which are recorded in the period collected instead of the period billed. Therefore, no asset is recorded for dues income billed which are outstanding on December 31, 2008 and no liability is recorded for deferred dues received during the year in accordance with FCSI's accounting policy. All other revenue and expenses are accounted for using the accrual basis of accounting.

FCSI has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. SFAS No. 116 requires contributions to be recognized as revenue when they are received or unconditionally pledged.

Under Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," the Association is required to report information regarding its financial position according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net access) based upon the existence of donor restrictions. As such, FCSI has classified its financial statements to present applicable classes of net assets.

Accounts Receivable

FCSI considers all accounts receivable to be fully collectible; accordingly, the allowance for doubtful accounts is \$0 for 2008. If accounts become uncollectible, they will be charged to the change in net assets when that determination is made.

FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - (continued)

Advertising

Advertising costs are charged to expense in the period incurred.

Income Taxes

FCSI is exempt from federal income taxes under Code Section 501(c)(6) of the Internal Revenue Code. However, income from certain activities not directly related to FCSI's tax-exempt purpose is subject to taxation as unrelated business income.

Internal Revenue Code Section 513 (a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The advertising income derived from the publication of The Consultant and the membership directory is to be considered unrelated business income.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentration of Income Sources

During 2008, FCSI received approximately 26% of its total revenue from member dues.

During 2008, FCSI received approximately 45% of its total revenue from advertising.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Cash and other highly liquid debt instruments reported as designated amounts are not included in cash and cash equivalents for purposes of the statement of cash flows.

NOTE B - MARKETABLE SECURITIES

At December 31, 2008, FCSI held funds in a Hilliard Lyons Government Fund in the amount of \$61,198. These funds are considered cash equivalents and are presented as such on the financial statements.

NOTE C - DEFERRED REVENUE

FCSI maintains its annual dues on a calendar year basis. Dues are recognized over the period to which the dues relate as services are being provided to the members. The deferred dues of \$183,983 at December 31, 2008 represent amounts received during 2008, which relate to dues for the year ended December 31, 2009.

FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

NOTE D - MANAGEMENT FEE AND RELATED PARTIES

FCSI is managed by FSA Group, LLP for an annual management fee plus staff salaries and administrative expenses totaling \$342,472 for the year ended December 31, 2008. The original agreement commenced on March 1, 2006.

Under the terms of the agreement, FSA Group, LLC continues to provide administrative management services to FCSI including meeting and conference planning, financial services, and other duties and services requested from time to time. FCSI is also to reimburse FSA Group, LLC for all reasonable expenses incurred in the performance of its duties under the agreement.

FCSI contracted an Executive Director who is not employed by FSA Group, LLC. According to this agreement, Legge Executive Group, (LEG) has been retained to provide the services of Executive Director of FCSI. The Executive Director will have overall responsibility for managing FCSI, the services that LEG provides, and will serve in any other capacity directed by the Board of Directors.

The initial term of this agreement is for a period of three years, commencing on April 3, 2006 and terminating on April 2, 2009. For the year ended December 31, 2008, the fees under this agreement were \$101,667.

FCSI billed an affiliate, FCSI Educational Foundation, Inc., in the amount of \$12,000 for reimbursement of administrative management that is contracted through FSA Group, LLC. As of December 31, 2008, FCSI Educational Foundation, Inc. owed FCSI \$15,628 which is included in accounts receivable on the statement of financial position.

NOTE E - CONCENTRATIONS OF CREDIT RISK

FCSI has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of the amounts insured by the FDIC. FCSI has not experienced any losses on such accounts and does not believe it is subject to significant credit risk.

NOTE F - CONTRIBUTED MATERIALS AND SERVICES

FCSI records certain in-kind transactions wherein materials or specialized services of value were given in exchange for materials or services of value. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of volunteers donated time to FCSI's programs; however, these contributions are not reflected in the financial statements since these services do not fit the criteria for recognition.

FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

NOTE G - ALLOCATION OF JOINT COSTS

The management fees paid to FSA Group, LLC and Legge Executive Group are not allocated among program services, management and general, and fundraising expenditures and are, therefore, recorded in the statement of activities as Unallocated Payments to Related Parties.

NOTE H - SUBSEQUENT EVENTS

As of September 2008 FCSI worldwide and FCSI - The Americas came to an agreement that provided for a change in structure whereby the divisions were separately incorporated and an Affiliation Agreement between FCSI worldwide and FCSI - The Americas was signed in October 2008.

Commencing on January 1, 2009, FCSI worldwide contracted with Legge Executive Group, Inc. which is owned by the Organization's executive director for the administrative management of FCSI worldwide.

Commencing on January 1, 2009, FCSI Americas contracted with Organization Headquarters for the administrative management of FCSI Americas.