

**CORPUS CHRISTI TOURISM
PUBLIC IMPROVEMENT DISTRICT**

AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD OF OCTOBER 1, 2023 TO DECEMBER 31, 2024

CORPUS CHRISTI TOURISM PUBLIC IMPROVEMENT DISTRICT

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INDEPENDENT AUDITOR'S REPORT

May 15, 2025

To the Board of Directors
Corpus Christi Tourism Public Improvement District
Corpus Christi, Texas

Opinion

We have audited the financial statements of the Corpus Christi Tourism Public Improvement District, which comprise the statements of financial position as of December 31, 2024 and the related statements of activities, functional expenses, and cash flows for the period of October 1, 2023 to December 31, 2024, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Corpus Christi Tourism Public Improvement District as of December 31, 2024, and the changes in its net assets, and its cash flows for the period of October 1, 2023 to December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Corpus Christi Tourism Public Improvement District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Corpus Christi Tourism Public Improvement District's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Corpus Christi Tourism Public Improvement District's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Corpus Christi Tourism Public Improvement District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Adams & Company LLC

CORPUS CHRISTI TOURISM PUBLIC IMPROVEMENT DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2024

ASSETS

Current Assets:	
Cash and Cash Equivalents	1,030,300
Certificate of Deposit	91,632
Accounts Receivable	191,857
Prepaid Expenses	182,857
Total Current Assets	<u>1,496,646</u>
Property and Equipment, Net (Note 3)	<u>35,062</u>
TOTAL ASSETS	<u><u>1,531,708</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	172,175
Accrued Expenses	31,727
Total Current Liabilities	<u>203,902</u>
Net Assets-	
Without Donor Restrictions	<u>1,327,806</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,531,708</u></u>

See Notes to Financial Statements.

CORPUS CHRISTI TOURISM PUBLIC IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES

FOR THE PERIOD OF OCTOBER 1, 2023 TO DECEMBER 31, 2024

Revenues Without Donor Restrictions:	
City of Corpus Christi Contract	3,195,100
Interest Income	54,437
Total Revenues Without Donor Restrictions	<u>3,249,537</u>
Expenses:	
Program Services:	
Sales	1,256,491
Marketing	1,638,993
Research	226,083
Supporting Services-	
Management and General	32,889
Total Expenses	<u>3,154,456</u>
Increase in Net Assets	<u>95,081</u>
Net Assets, October 1, 2023, As Originally Stated	872,780
Prior Period Adjustment (Note 6)	<u>359,945</u>
Net Assets, October 1, 2023, Restated	<u>1,232,725</u>
NET ASSETS, END OF YEAR	<u><u>1,327,806</u></u>

See Notes to Financial Statements.

CORPUS CHRISTI TOURISM PUBLIC IMPROVEMENT DISTRICT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE PERIOD OF OCTOBER 1, 2023 TO DECEMBER 31, 2024

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>	<u>TOTAL</u>
	<u>SALES</u>	<u>MARKETING</u>	<u>RESEARCH</u>	<u>MANAGEMENT & GENERAL</u>	
Marketing and Promotional:					
Community Relations	341,209	--	--	--	341,209
Dues & Subscriptions	79,129	--	80,089	--	159,218
Giveaway Promotions	45,670	--	--	--	45,670
Market Research	17,523	--	111,750	--	129,273
Marketing Projects	10,659	8,166	--	--	18,825
Media Advertising	-	1,171,550	--	--	1,171,550
Printed Collateral Material	2,046	-	--	--	2,046
Public Relations	-	352,782	--	--	352,782
Trade Shows/Missions	318,374	74,291	--	--	392,665
Travel-Conference	383	-	--	--	383
Website	26,898	32,204	--	--	59,102
Subtotal	841,891	1,638,993	191,839	--	2,672,723
Administrative:					
Bank Fees	--	--	--	18	18
Cell Phone Stipend	5,100	--	--	--	5,100
Computer Expense	--	--	4,254	--	4,254
Depreciation/Amortization	--	--	--	32,871	32,871
Office Supplies	98	--	--	--	98
Payroll Expense	390,117	--	--	--	390,117
Professional Fees	--	--	29,990	--	29,990
Staff Development	17,719	--	--	--	17,719
Uniforms	1,566	--	--	--	1,566
Subtotal	414,600	--	34,244	32,889	481,733
TOTAL EXPENSES	1,256,491	1,638,993	226,083	32,889	3,154,456

See Notes to Financial Statements

CORPUS CHRISTI TOURISM PUBLIC IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE PERIOD OF OCTOBER 1, 2023 TO DECEMBER 31, 2024

Cash Flows from Operating Activities	
Increase in Net Assets	95,081
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	32,871
Changes in Operating Assets and Liabilities:	
Accounts Receivable	168,088
Prepaid Expenses	(143,997)
Accounts Payable	21,471
Accrued Expenses	16,272
Net Cash Provided by Operating Activities	<u>189,786</u>
 Cash Flows from Investing Activities-	
Investment in Certificate of Deposit	<u>(91,632)</u>
 Net Increase in Cash	98,154
 Cash and Equivalents, October 1, 2023	<u>932,146</u>
 CASH AND EQUIVALENTS, END OF YEAR	<u><u>1,030,300</u></u>

See Notes to Financial Statements.

CORPUS CHRISTI TOURISM PUBLIC IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD OF OCTOBER 1, 2023 TO DECEMBER 31, 2024

Note 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Corpus Christi Tourism Public Improvement District (TPID) was established to strengthen available resources to incentivize and enhance Corpus Christi's performance as a convention and tourism destination.

TPID operates under a three-way contract with the City of Corpus Christi (the City) and the Corpus Christi Convention and Visitors Bureau (Visit Corpus Christi or VCC). The agreement establishes funding of the TPID via a two percent assessment on taxable room rates paid by overnight hotel visitors when staying in hotels within the city limits of Corpus Christi with 40 hotel rooms or more.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Change in Fiscal Year

The Board of Directors voted to change the TPID's business year from a fiscal year ending September 30 to a calendar year ending December 31. As such these financial statements present activities for the 15 months ended December 31, 2024.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The TPID considers all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents. Cash received from the City of Corpus Christi in relation to the two percent assessment are required to be held in a separate account.

Note 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continuation)

Accounts Receivable

Accounts receivable consist primarily of receivables from assessments of hotel taxable room rates. An allowance for credit losses, if deemed necessary, reflects management’s best estimate of the amounts that will not be collected based on historical trends, adjusted for management’s risk, historical, current and forecasted information. As of December 31, 2024, management considered all accounts receivable to be fully collectible; therefore, no allowance has been recorded against accounts receivable.

Property and Equipment

Property and equipment are reported at cost for purchased assets, or at estimated fair value at the date contributed for contributed assets. Expenditures for assets costing more than \$5,000 are capitalized if their useful life is greater than one year. Expenditures for betterments that materially extend the useful life of the asset are capitalized. Repairs and maintenance that do not significantly increase the useful life of an asset are expensed as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets which range from 3 to 7 years for furniture and fixtures.

Net Asset Classification

The TPID reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations and represent resources derived from membership, contributions, and other revenue. These resources are used for transactions relating to the operations of the entity and may be used at the discretion of the governing board to meet current expenses.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue Recognition

Funds are remitted to the City of Corpus Christi by certain hotels located within the city limits representing a two percent assessment of room rates. These funds are used to compensate TPID in exchange for TPID’s provision of certain services and improvements to the City. This arrangement is considered an exchange transaction and not a contribution. The TPID would be significantly impacted should the City materially change the policy for authorizing and collecting the assessments.

Note 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continuation)

Employees

TPID utilizes services of the Visit Corpus Christi staff. Three employees are employed through Visit Corpus Christi but work the TPID program. TPID reimburses VCC for all employee costs.

Media Advertising

Media advertising costs are expensed in the period incurred. For the period of October 1, 2023 to December 31, 2024, media advertising expenses amounted to \$1,171,550. During the period of October 1, 2023 to December 31, 2024, 59% and 17%, respectively, of media advertising expenditures were paid to two vendors.

Concentrations

TPID maintains its cash and cash equivalents with one financial institution. Such deposits exceeded federal depository insurance by \$871,932 as of December 31, 2024. Management believes that the risk of loss is minimal due to the strength of the institutions.

TPID is supported wholly by the remittance of a two percent assessment on room rates at certain hotels. For the period of October 1, 2023 to December 31, 2024, the assessments accounted for 98% of TPID's revenue and 100% of accounts receivable.

Functional Expenses

The cost of providing certain activities of TPID has been summarized on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated amongst the program and supporting services benefited if such cost cannot be directly identified with the program or supporting services to which they related. All allocable expenses are allocated based on the percentage of direct costs for each program.

Income Taxes

The TPID is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and has been classified as an organization that is not a private foundation. Accordingly, no provision for federal income taxes has been made.

Subsequent Events

Subsequent events have been evaluated through the date of the independent auditor's report. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Note 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2024, TPID has \$1,313,789 of financial assets available for general expenditures within one year, consisting of \$1,030,300 in cash, \$91,632 in certificates of deposit, and \$191,857 in accounts receivable. The financial assets are not subject to any donor or other contractual restrictions to make them unavailable for general expenditures within one year of the statement of financial position date. TPID manages its liquidity by operating with a prudent range of financial stability and maintaining adequate liquidity to fund near-term operations.

Note 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2024 is as follows:

Furniture and Fixtures	\$ 78,890
Less: Accumulated Depreciation	<u>(43,828)</u>
 PROPERTY AND EQUIPMENT, NET	 <u>\$ 35,062</u>

Depreciation expense totaled \$32,871 for the period of October 1, 2023 to December 31, 2024.

Note 4 – RETIREMENT PLAN

VCC sponsors a retirement plan that provides employees the ability to defer a portion of their compensation. VCC may also make additional discretionary contributions. All VCC employees are eligible to participate in the plan after 500 hours of service in a 6-month period. Each employee directs their own investments. TPID reimburses VCC for the portion of Plan expenses incurred for time devoted to TPID functions by VCC employees. Plan expenses paid by the TPID for the fifteen months ended December 31, 2024, totaled \$4,365.

Note 5 – RELATED PARTY TRANSACTIONS

TPID is reported as a custodial (fiduciary) fund by the City of Corpus Christi for the assessment funds in the City’s possession before remittance to TPID. VCC is considered a stand-alone entity independent of the City and is primarily funded by hotel occupancy tax collected by the City. TPID is primarily funded by a two percent assessment of room rates at certain hotels remitted to the City. During the period of October 1, 2023 to December 31, 2024, VCC paid \$814,125 to cover certain expenses of TPID of which \$748,039 was repaid by TPID to VCC. The remaining balance of \$85,265 is included in accounts payable of TPID as of December 31, 2024.

TPID utilizes office space leased by VCC. The costs of the office space utilized by TPID are not material to the financial statements of TPID.

Note 6 – PRIOR PERIOD ADJUSTMENT

In the previous reporting period, TPID recognized assessment payments from the City of Corpus in accordance with the cash basis of accounting. During the period of October 1, 2023 to December 31, 2024, TPID changed accounting policies to accrue the revenue in the month earned. This resulted in a \$359,945 increase to net assets without donor restrictions as of October 1, 2023.