VISIT PENSACOLA, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

Warren Averett
CPAs AND ADVISORS

VISIT PENSACOLA, INC.
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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Finance Committee and Board of Directors
Visit Pensacola, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Visit Pensacola, Inc., [a 501(c)(6) nonprofit corporation], (hereinafter referred to as "VPI"), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility
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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VPI as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Warren Averett, LLC

Pensacola, Florida
December 20, 2018

VISIT PENSACOLA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 998,445	$ 921,314
Accounts receivable, net of allowance for doubtful accounts of $9,835 and $6,188, respectively	274,736	810,822
Inventories	3,568	5,061
Prepaid expenses	204,096	65,356
Advance to ACE	-	150,634
Total current assets	1,480,845	1,953,187
NONCURRENT ASSETS		
Equipment, net	5,758	-
TOTAL ASSETS	$ 1,486,603	$ 1,953,187

LIABILITIES

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 432,353	$ 1,360,207
Accrued payroll and expenses	65,813	65,044
Unearned revenue	22,387	23,432
Total current liabilities	520,553	1,448,683
NET ASSETS		
Unrestricted net assets	966,050	504,504
TOTAL LIABILITIES AND NET ASSETS	$ 1,486,603	$ 1,953,187

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
REVENUES		
Tourism development revenue	$ 8,199,315	$ 7,451,788
Partnership and membership income	69,287	79,762
Advertising income	64,268	66,754
In-kind income	220,244	216,598
Grant income	242,629	405,193
Event income	374,384	-
Merchandise sales	14,778	13,908
Miscellaneous income	8,662	19,666
Total revenues	9,193,567	8,253,669
OPERATING EXPENSES		
Program expenses		
Tourism development	8,244,973	7,627,841
Supporting expenses		
Management and general	487,048	523,670
Total operating expenses	8,732,021	8,151,511
CHANGE IN NET ASSETS	461,546	102,158
NET ASSETS, BEGINNING OF YEAR	504,504	402,346
NET ASSETS, END OF YEAR	$ 966,050	$ 504,504

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 461,546	$ 102,158
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	4,562	3,888
Decrease (increase) in:		
Accounts receivable	531,524	(497,984)
Inventories	1,493	1,357
Prepaid expenses	(138,740)	14,012
Advance	150,634	(150,634)
Increase (decrease) in:		
Accounts payable	(927,854)	792,830
Accrued payroll and expenses	769	8,209
Unearned revenue	(1,045)	(76,016)
Net cash provided by operating activities	82,889	197,820
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(5,758)	-
Net cash provided by (used in) investing activities	(5,758)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	77,131	197,820
CASH AND CASH EQUIVALENTS, BEGINNING	921,314	723,494
CASH AND CASH EQUIVALENTS, ENDING	$ 998,445	$ 921,314

See notes to the financial statements.

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization
Visit Pensacola, Inc. ("VPI") was formed in 2013 as a Florida not-for-profit corporation to promote the common business interests of Escambia County, Florida's tourism industry, and to unify the private sector, visitor, tourism, meeting, and convention interests of the various incorporated and unincorporated areas of Escambia County, in order to speak with a collective, focused voice of authority on issues that affect the tourism industry.

The primary source of revenue is a portion of the local option tourist development tax imposed and collected on short-term lodging by the Escambia County Board of County Commissioners ("the County"). In accordance with the agreement with the County, VPI receives funding on a reimbursement basis from the County as expenditures are incurred in carrying out its mission.

Basis of Accounting
The financial statements of VPI are prepared under the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP). Revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation
VPI reports 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.

Unrestricted net assets represent revenues and expenses related to the operation and management of VPI's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered unrestricted. Temporarily restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as unrestricted.

Temporarily restricted net assets represent resources available for use, but expendable only for the purposes specifically stated by the donor. As of September 30, 2018 and 2017, VPI held no temporarily restricted net assets.

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by VPI. Generally, the donors of these assets permit VPI to use all or part of the income earned on any related investments for general or specific purposes. As of September 30, 2018 and 2017, VPI held no permanently restricted net assets.

Use of Estimates
Management uses estimates and assumptions in preparing these financial statements in accordance with GAAP. These estimates and assumptions affect the amounts reported in the financial statements and the note disclosures. Actual results could vary from these estimates.

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents
For purposes of the statement of cash flows, if applicable, VPI considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable
Accounts receivable are reported at unpaid balances less an allowance for doubtful accounts. Management evaluates the status of unpaid accounts and adjusts the allowance as necessary through a provision for bad debt expense.

Inventories
Inventories consist primarily of souvenirs and promotional goods, including maps, brochures, and postcards and are valued at estimated cost.

Equipment
VPI capitalizes all expenditures in excess of $1,000 for equipment at cost. Repairs and maintenance expenses are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Equipment is depreciated over five to seven years.

Donated Assets and Use of Facilities
Donated equipment and other noncash donations are valued at estimated fair value at the date of donation.

VPI uses certain equipment which was acquired and paid for by Escambia County. Title vests with the County and such assets are not recorded as assets of VPI. The County does not charge VPI for the use of the equipment. The value of the use of these assets was determined to be $29,383 and $25,537 for the years ended September 30, 2018 and 2017, respectively. This amount is recorded as in-kind income and related equipment and building repairs in the schedule of functional expenses.

VPI occupies space at the Pensacola Visitor Information Center under a lease agreement with the Pensacola Area Chamber of Commerce, Inc. for $10 annually. The annual lease automatically renews, unless otherwise terminated pursuant to the agreement. VPI has estimated the fair value of the lease for the years ended September 30, 2018 and 2017 to be $90,451. During the year ended September 30, 2017, VPI began occupying space at the Perdido Key Visitor Information Center, which is owned by Escambia County. VPI has estimated the fair value of the use of this facility for the years ended September 30, 2018 and 2017 to be $100,410, which is based on the total square footage used for the Visitor Information Center. These amounts are recorded as in-kind income and related rent expense in the schedule of functional expenses.

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Unearned Revenue

Unearned revenue consists mostly of grant funding and partnership dues, which were received in advance. The grant funding will be recognized as the grant expenses are incurred while the partnership dues will be recognized over the terms of the partnerships.

Compensated Absences

The liability for compensated absences of $38,219 and $41,439 as of September 30, 2018 and 2017, respectively, is included in accrued payroll and expenses. This represents amounts owed to employees under VPI's paid time off policy.

Functional Allocation of Expenses

The costs of providing the program and supporting activities of VPI have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among the program and supporting activities.

Advertising

The primary purpose of VPI is to promote and advertise the local community. As such, all program expenses are considered to be either direct or indirect forms of "advertising". Such costs are expensed as incurred.

Income Taxes

The Internal Revenue Service has determined VPI to be exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. VPI is subject to taxation only on income from any business unrelated to their exempt purposes. VPI is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2018 and 2017, consisted of the following:

	2018	2017
Tourism development tax receivable	$ 281,846	$ 769,750
Grant receivable	-	30,855
Advertising receivable	-	12,346
Partnership dues	2,455	3,100
Other	270	959
	284,571	817,010
Less allowances	(9,835)	(6,188)
Net accounts receivable	$ 274,736	$ 810,822

3. ADVANCE

During the year ended September 30, 2017, VPI advanced $150,634 in funding to ACE which was expended by ACE during the year ended September 30, 2018.

4. CONCENTRATIONS OF RISK

VPI's activities are primarily funded by a discretionary appropriation of the Escambia County local option tourist development tax. VPI's ability to continue to operate at current levels is dependent on continued funding from this source.

VPI maintains cash balances at a financial institution, which, at times, may exceed federally insured limits. The balances held with the financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. VPI's cash balances before outstanding checks exceeded federally insured limits by $907,498 and $853,977 at September 30, 2018 and 2017, respectively. VPI has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

5. SUBRECIPIENT EXPENSE

During the year ended September 30, 2016, VPI became the fiscal agent for ACE and Pensacola Sports Association, Inc. (PSA). In accordance with separate Miscellaneous Appropriations Agreements between VPI, ACE and PSA, tourism development revenue provided by the County was passed through VPI to ACE and PSA on a reimbursement basis.

5. SUBRECIPIENT EXPENSE – CONTINUED

In accordance with GAAP, this arrangement does not meet the criteria of being an agency transaction; therefore, the expenses incurred by each entity and reimbursed by VPI are recorded as subrecipient expense in the schedule of functional expenses.

Subrecipient expenses for the year ended September 30, 2018, consisted of the following:

	ACE	PSA	Total
Direct programming expense	$ 1,421,506	$ 389,077	$ 1,810,583
Operations expense	-	65,000	65,000
Personnel expense	-	245,000	245,000
Total subrecipient expense	$ 1,421,506	$ 699,077	$ 2,120,583

Subrecipient expenses for the year ended September 30, 2017, consisted of the following:

	ACE	PSA	Total
Direct programming expense	$ 1,055,894	$ 397,469	$ 1,453,363
Operations expense	-	62,000	62,000
Personnel expense	-	197,500	197,500
Total subrecipient expense	$ 1,055,894	$ 656,969	$ 1,712,863

6. RELATED PARTY TRANSACTIONS

VPI enters into certain promotional partnership and marketing transactions with organizations that may be affiliated with members of VPI's Board of Directors. These transactions are conducted at arms-length and are in the normal course of business.

7. RETIREMENT PLAN

VPI administers a 401(k) plan for the benefit of its employees. All employees are eligible to participate if they have completed one year of service and are at least 21 years of age. The plan provides for a safe harbor matching employer contribution equal to 100% of salary deferrals that do not exceed 4% of compensation for each payroll period. Effective January 1, 2017, the safe harbor match increased to 100% of salary deferrals that do not exceed 5% of compensation for each payroll period. The matching contributions totaled $22,376 and $11,690 for the years ended September 30, 2018 and 2017, respectively.

8. SUBSEQUENT EVENT

VPI has evaluated events and transactions that occurred between September 30, 2018, and December 20, 2018, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements. In October 2018, VPI entered into a $500,000 line of credit agreement with Regions Bank with a maturity date of October 15, 2019.

SUPPLEMENTARY INFORMATION

VISIT PENSACOLA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services	Supporting Services		
	Tourism	Management & General	2018 Total	2017 Total
Bank and credit card fees	$ -	$ 4,044	$ 4,044	$ 2,573
Marketing research	504,421	-	504,421	513,855
Advertising	2,420,141	-	2,420,141	2,569,950
Public relations	27,709	-	27,709	56,346
Production	427,778	-	427,778	528,004
Festivals and events	994,740	-	994,740	529,067
Promotions	53,316	-	53,316	88,168
Brochures and collateral	88,305	-	88,305	2,418
Advertising agency fees	180,000	-	180,000	308,000
Registration	68,796	-	68,796	64,126
Dues and subscriptions	28,930	-	28,930	28,392
Travel, meals and entertainment	83,543	1,308	84,851	71,065
Partnership expense	71,859	2,488	74,347	36,623
Equipment and building repair	62,282	47,704	109,986	173,348
Information technology	27,877	8,201	36,078	50,976
In-kind rent	170,190	20,681	190,871	190,871
Insurance	15,607	4,592	20,199	18,809
Professional services	-	28,520	28,520	31,208
Office supplies	25,320	14,705	40,025	46,808
Postage	22,773	6,700	29,473	59,390
Utilities	38,619	11,360	49,979	36,103
Personnel expense	882,648	260,038	1,142,686	1,025,186
Miscellaneous expense	-	230	230	2,473
Sales tax	-	1,451	1,451	1,001
Bad debt expense	-	4,562	4,562	3,888
Subrecipient expense - ACE	1,421,506	-	1,421,506	1,055,894
Subrecipient expense - PSA	628,613	70,464	699,077	656,969
TOTAL OPERATING EXPENSES	$ 8,244,973	$ 487,048	$ 8,732,021	$ 8,151,511

See independent auditors' report