

VISIT PENSACOLA, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

VISIT PENSACOLA, INC.
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SEPTEMBER 30, 2019 AND 2018

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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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, VPI adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Warren Averett, LLC

Pensacola, Florida
January 23, 2020

VISIT PENSACOLA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 270,970	\$ 998,445
Accounts receivable, net	1,399,448	274,736
Inventories	1,717	3,568
Prepaid expenses	114,385	204,096
Total current assets	1,786,520	1,480,845
NONCURRENT ASSETS		
Equipment, net	4,606	5,758
TOTAL ASSETS	\$ 1,791,126	\$ 1,486,603
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 530,403	\$ 432,353
Accrued payroll and expenses	66,170	65,813
Unearned revenue	40,635	22,387
Total current liabilities	637,208	520,553
NET ASSETS		
Without donor restrictions	1,153,918	966,050
TOTAL LIABILITIES AND NET ASSETS	\$ 1,791,126	\$ 1,486,603

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
REVENUES		
Tourism development revenue	\$ 8,746,795	\$ 8,199,315
Partnership and membership income	94,244	69,287
Advertising income	91,883	64,268
In-kind income	165,577	220,244
Grant income	190,477	242,629
Event income	18,110	374,384
Merchandise sales	15,026	14,778
Miscellaneous income	7,568	8,662
Total revenues	9,329,680	9,193,567
OPERATING EXPENSES		
Program expenses		
Tourism development	8,660,493	8,244,973
Supporting expenses		
Management and general	481,319	487,048
Total operating expenses	9,141,812	8,732,021
CHANGE IN NET ASSETS	187,868	461,546
NET ASSETS, BEGINNING OF YEAR	966,050	504,504
NET ASSETS, END OF YEAR	\$ 1,153,918	\$ 966,050

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019		
	Program Services	Supporting Services	Total
	Tourism	Management & General	
Advertising	\$ 2,685,747	\$ -	\$ 2,685,747
Advertising agency fees	180,564	-	180,564
Bad debt recovery	-	(9,494)	(9,494)
Bank and credit card fees	-	7,864	7,864
Brochures and collateral	122,381	-	122,381
Depreciation	898	254	1,152
Dues and subscriptions	35,193	-	35,193
Equipment and building repair	78,553	22,195	100,748
Festivals and events	695,254	-	695,254
Information technology	33,842	9,561	43,403
In-kind rent	101,430	28,658	130,088
Insurance	17,707	5,003	22,710
Marketing research	534,315	-	534,315
Miscellaneous expense	-	245	245
Office supplies	29,272	14,291	43,563
Partnership expense	105,516	1,973	107,489
Personnel expense	896,756	270,742	1,167,498
Postage	31,044	8,772	39,816
Production	588,317	-	588,317
Professional services	-	30,162	30,162
Promotions	74,359	-	74,359
Public relations	40,912	-	40,912
Registration	79,191	-	79,191
Sales tax	-	2,276	2,276
Subrecipient expense - ACE	1,394,161	-	1,394,161
Subrecipient expense - PSA	799,773	74,760	874,533
Travel, meals and entertainment	92,868	2,066	94,934
Utilities	42,440	11,991	54,431
TOTAL OPERATING EXPENSES	\$ 8,660,493	\$ 481,319	\$ 9,141,812

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018		
	Program Services	Supporting Services	Total
	Management		
	Tourism	& General	
Advertising	\$ 2,420,141	\$ -	\$ 2,420,141
Advertising agency fees	180,000	-	180,000
Bad debt expense	-	4,562	4,562
Bank and credit card fees	-	4,044	4,044
Brochures and collateral	88,305	-	88,305
Dues and subscriptions	28,930	-	28,930
Equipment and building repair	62,282	47,704	109,986
Festivals and events	994,740	-	994,740
Information technology	27,877	8,201	36,078
In-kind rent	170,190	20,681	190,871
Insurance	15,607	4,592	20,199
Marketing research	504,421	-	504,421
Miscellaneous expense	-	230	230
Office supplies	25,320	14,705	40,025
Partnership expense	71,859	2,488	74,347
Personnel expense	882,648	260,038	1,142,686
Postage	22,773	6,700	29,473
Production	427,778	-	427,778
Professional services	-	28,520	28,520
Promotions	53,316	-	53,316
Public relations	27,709	-	27,709
Registration	68,796	-	68,796
Sales tax	-	1,451	1,451
Subrecipient expense - ACE	1,421,506	-	1,421,506
Subrecipient expense - PSA	628,613	70,464	699,077
Travel, meals and entertainment	83,543	1,308	84,851
Utilities	38,619	11,360	49,979
TOTAL OPERATING EXPENSES	\$ 8,244,973	\$ 487,048	\$ 8,732,021

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See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 187,868	\$ 461,546
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense (recovery)	(9,494)	4,562
Depreciation	1,152	-
Decrease (increase) in:		
Accounts receivable	(1,115,218)	531,524
Inventories	1,851	1,493
Prepaid expenses	89,711	(138,740)
Advance	-	150,634
Increase (decrease) in:		
Accounts payable	98,050	(927,854)
Accrued payroll and expenses	357	769
Unearned revenue	18,248	(1,045)
Net cash provided by (used in) operating activities	<u>(727,475)</u>	<u>82,889</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>-</u>	<u>(5,758)</u>
Net cash used in investing activities	<u>-</u>	<u>(5,758)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(727,475)</u>	<u>77,131</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>998,445</u>	<u>921,314</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 270,970</u></u>	<u><u>\$ 998,445</u></u>

See notes to the financial statements.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 and Presentation

The financial statements of VPI have been prepared on the accrual basis of accounting and in accordance with the accounting principles generally accepted in the United States of America (“US GAAP”) which requires that VPI report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and are not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. VPI did not have any net assets at September 30, 2019 and 2018, where the donor imposed restrictions.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, if applicable, VPI considers highly-liquid debt instruments purchased within three months of maturity to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at unpaid balances less an allowance for doubtful accounts, if applicable. Management evaluates the status of unpaid accounts and adjusts the allowance as necessary through a provision for bad debt expense. There was a \$0 and \$9,835 valuation allowance for accounts receivable at September 30, 2019 and 2018, respectively.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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

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 estimated fair market value of the use of these assets is recorded as in-kind income and related equipment and building repairs in the statements 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. The estimated fair value of the use of these facilities are recorded as in-kind income and rent expense in the statements of functional expenses.

Unearned Revenue

Unearned revenue consists of partnership dues, which were received in advance. The dues will be recognized over the terms of the partnerships.

Compensated Absences

The liability for compensated absences of \$34,841 and \$38,219 as of September 30, 2019 and 2018, 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 based on time and effort or occupancy costs.

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.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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

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 its exempt purposes. VPI is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. VPI implemented the provisions of this new standard effective October 1, 2018, and has adjusted the presentation of its financial statements accordingly. The accompanying 2018 financial statements have been restated to conform to the 2019 presentation. In addition to changes in terminology used to describe categories of net assets, new disclosures were added regarding liquidity and availability of resources and disclosures related to functional allocation of expenses. The adoption of this standard had no effect on the change in net assets by class of net assets or in total.

Subsequent Events

VPI has evaluated events and transactions that occurred between September 30, 2019 and January 23, 2020, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Tourism development tax receivable	\$ 1,383,168	\$ 281,846
Partnership dues	2,860	2,455
Other	13,420	270
	<u>1,399,448</u>	<u>284,571</u>
Less allowances	-	(9,835)
Net accounts receivable	<u>\$ 1,399,448</u>	<u>\$ 274,736</u>

3. LINE OF CREDIT

In October 2018, VPI entered into a \$500,000 line of credit agreement with Regions Bank, which bears interest at prime. The line of credit matures on October 15, 2020, and is secured by inventory, accounts, equipment, general intangibles and fixtures. There were no outstanding borrowings at September 30, 2019.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

4. LIQUIDITY AND AVAILABILITY

VPI regularly monitors liquidity to meet its operating needs and other contractual commitments. VPI has various sources of liquidity at its disposal including cash and receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, VPI considers all expenditures related to its ongoing activities of its mission as well as the conduct of services undertaken to support those activities to be general expenditures.

As of September 30, 2019 and 2018, the following table shows the total financial assets held by VPI and the amounts of those financial assets available within one year of the date of the statement of financial position to meet general expenditures.

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash	\$ 270,970	\$ 998,445
Accounts receivable	<u>1,399,448</u>	<u>274,736</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,670,418</u>	<u>\$ 1,273,181</u>

5. 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 \$46,637 and \$907,498 at September 30, 2019 and 2018, respectively. VPI has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

6. SUBRECIPIENT EXPENSE

VPI is 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.

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 statements of functional expenses.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

6. SUBRECIPIENT EXPENSE – CONTINUED

Subrecipient expenses for the year ended September 30, 2019, consisted of the following:

	<u>ACE</u>	<u>PSA</u>	<u>Total</u>
Direct programming expense	\$ 1,394,161	\$ 535,181	\$ 1,929,342
Operations expense	-	64,352	64,352
Personnel expense	-	275,000	275,000
Total subrecipient expense	<u>\$ 1,394,161</u>	<u>\$ 874,533</u>	<u>\$ 2,268,694</u>

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

	<u>ACE</u>	<u>PSA</u>	<u>Total</u>
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	<u>\$ 1,421,506</u>	<u>\$ 699,077</u>	<u>\$ 2,120,583</u>

7. 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.

8. 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 5% of compensation for each payroll period. The matching contributions totaled \$23,902 and \$22,376 for the years ended September 30, 2019 and 2018, respectively.