

VISIT PENSACOLA, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

**VISIT PENSACOLA, INC.
TABLE OF CONTENTS
SEPTEMBER 30, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
SUPPLEMENTARY INFORMATION	
Schedule of Functional Expenses	11

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, 2017 and 2016, 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, 2017 and 2016, 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 11 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
February 14, 2018

VISIT PENSACOLA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

ASSETS		
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 921,314	\$ 723,494
Accounts receivable, net of allowance for doubtful accounts of \$6,188 and \$2,410, respectively	810,822	316,726
Inventories	5,061	6,418
Prepaid expenses	65,356	79,368
Advance to ACE	150,634	-
TOTAL ASSETS	\$ 1,953,187	\$ 1,126,006
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,360,207	\$ 567,377
Accrued payroll and expenses	65,044	56,835
Unearned revenue	23,432	99,448
Total current liabilities	1,448,683	723,660
NET ASSETS		
Unrestricted net assets	504,504	402,346
TOTAL LIABILITIES AND NET ASSETS	\$ 1,953,187	\$ 1,126,006

See notes to the financial statements.

**VISIT PENSACOLA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
REVENUES		
Tourism development revenue	\$ 7,451,788	\$ 6,988,594
Partnership and membership income	79,762	77,916
Advertising income	66,754	5,000
In-kind income	216,598	106,283
Grant income	405,193	175,662
Merchandise sales	13,908	7,774
Miscellaneous income	19,666	33,058
Total revenues	8,253,669	7,394,287
OPERATING EXPENSES		
Program expenses		
Tourism development	7,627,841	6,874,172
Supporting expenses		
Management and general	523,670	425,406
Total operating expenses	8,151,511	7,299,578
NON-OPERATING EXPENSES		
Loss on disposal of assets	-	203
CHANGE IN NET ASSETS	102,158	94,506
NET ASSETS, BEGINNING OF YEAR	402,346	307,840
NET ASSETS, END OF YEAR	\$ 504,504	\$ 402,346

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 102,158	\$ 94,506
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on disposal of assets	-	203
Bad debt expense	3,888	3,064
Depreciation	-	1,206
Decrease (increase) in:		
Accounts receivable	(497,984)	347,426
Inventories	1,357	(2,570)
Prepaid expenses	14,012	(37,440)
Advance	(150,634)	-
Increase (decrease) in:		
Accounts payable	792,830	261,274
Accrued payroll and expenses	8,209	(32,991)
Unearned revenue	(76,016)	77,013
Net cash provided by operating activities	<u>197,820</u>	<u>711,691</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	197,820	711,691
CASH AND CASH EQUIVALENTS, BEGINNING	<u>723,494</u>	<u>11,803</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 921,314</u></u>	<u><u>\$ 723,494</u></u>

See notes to the financial statements.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Visit Pensacola, Inc. ("VPI") was formed August 26, 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, 2017 and 2016, 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, 2017 and 2016, 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.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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.

Property and Equipment

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

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 \$41,439 and \$41,464 as of September 30, 2017 and 2016, respectively, is included in accrued payroll and expenses. This represents amounts owed to employees under VPI's paid time off policy.

Donated Assets

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

VPI uses certain equipment for its activities 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 is determined to be \$25,537 and \$15,832 for the years ended September 30, 2017 and 2016, respectively. This amount is recorded as in-kind income and related equipment and building repair in the schedule of functional expenses.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

Donated Facilities

VPI occupies space at the Pensacola Visitor Information Center under a lease agreement with the Chamber 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, 2017 and 2016 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 year ended September 30, 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.

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.

Subsequent Events

VPI has evaluated events and transactions that occurred between September 30, 2017, and February 14, 2018, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Tourism development receivable	\$ 769,750	\$ 309,940
Grant receivable	30,855	-
Advertising receivable	12,346	5,000
Partnership dues	3,100	3,591
Other	959	605
	<u>817,010</u>	<u>319,136</u>
Less allowances	<u>(6,188)</u>	<u>(2,410)</u>
Net accounts receivable	<u>\$ 810,822</u>	<u>\$ 316,726</u>

3. ADVANCE

As of September 30, 2017, VPI advanced \$150,634 in funding to Arts, Culture, and Entertainment, Inc. (ACE). This amount is expected to be expended by ACE and reimbursed by the County to VPI during the year ending 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 two financial institutions, which, at times, may exceed federally insured limits. The balances held with each 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 \$853,977 and \$578,776 at September 30, 2017 and 2016, respectively. Furthermore, 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, Perdido Key Area Chamber of Commerce, Inc. (Perdido), and PSA. In accordance with separate Miscellaneous Appropriations Agreements between VPI and ACE, Perdido, and PSA, tourism development revenue provided by the County was passed through VPI to ACE, Perdido and PSA on a reimbursement basis.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

5. SUBRECIPIENT EXPENSE – CONTINUED

In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, this arrangement does not meet the criteria of being an agency transaction and, therefore, the expenses incurred by each entity and reimbursed by VPI are recorded as subrecipient expense in the schedule of functional expenses. Effective January 1, 2016, the operational expenses of Perdido are included as direct expenses of VPI.

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

	<u>ACE</u>	<u>PSA</u>	<u>Total</u>
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	<u>\$ 1,055,894</u>	<u>\$ 656,969</u>	<u>\$ 1,712,863</u>

Subrecipient expenses for the year ended September 30, 2016 consisted of the following:

	<u>ACE</u>	<u>Perdido</u>	<u>PSA</u>	<u>Total</u>
Direct programming expense	\$ 1,141,423	\$ 32,762	\$ 414,961	\$ 1,589,146
Operations expense	-	3,624	60,000	63,624
Personnel expense	-	60,403	190,000	250,403
Total subrecipient expense	<u>\$ 1,141,423</u>	<u>\$ 96,789</u>	<u>\$ 664,961</u>	<u>\$ 1,903,173</u>

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 \$11,690 and \$10,801 for the years ended September 30, 2017 and 2016, respectively.

SUPPLEMENTARY INFORMATION

VISIT PENSACOLA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Services	Supporting Services	2017 Total	2016 Total
	Tourism	Management		
		& General		
Bank and credit card fees	\$ -	\$ 2,573	\$ 2,573	\$ 4,454
Marketing research	513,855	-	513,855	430,762
Advertising	2,569,950	-	2,569,950	1,694,421
Public relations	56,346	-	56,346	293,870
Production	528,004	-	528,004	644,001
Festivals and events	519,843	9,224	529,067	211,089
Promotions	88,168	-	88,168	112,452
Brochures and collateral	2,418	-	2,418	114,703
Advertising agency fees	308,000	-	308,000	460,500
Registration	64,126	-	64,126	60,027
Dues and subscriptions	28,392	-	28,392	27,757
Travel, meals and entertainment	69,603	1,462	71,065	49,547
Partnership expense	30,990	5,633	36,623	22,909
Equipment and building repair	132,806	40,542	173,348	135,164
Information technology	39,054	11,922	50,976	43,081
In-kind rent	146,230	44,641	190,871	90,461
Insurance	14,410	4,399	18,809	18,277
Professional services	-	31,208	31,208	24,741
Office supplies	27,849	18,959	46,808	36,232
Postage	45,500	13,890	59,390	106,403
Utilities	27,658	8,445	36,103	35,711
Personnel expense	762,467	262,719	1,025,186	772,536
Miscellaneous expense	-	2,473	2,473	2,543
Sales tax	-	1,001	1,001	494
Bad debt expense	-	3,888	3,888	3,064
Depreciation	-	-	-	1,206
Subrecipient expense - ACE	1,055,894	-	1,055,894	1,141,423
Subrecipient expense - Perdido	-	-	-	96,789
Subrecipient expense - PSA	596,278	60,691	656,969	664,961
TOTAL OPERATING EXPENSES	\$ 7,627,841	\$ 523,670	\$ 8,151,511	\$ 7,299,578

See independent auditors' report