

COMBINED FINANCIAL STATEMENTS

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022



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January 11, 2024

Board of Directors
Sarasota Convention and Visitors Bureau, Inc.
d/b/a Visit Sarasota County and Friends of
Sarasota County Visitor Services, Inc.
Sarasota, Florida

Independent Auditor's Report

Opinion

We have audited the accompanying combined financial statements of Sarasota Convention and Visitors Bureau, Inc. d/b/a Visit Sarasota County and Friends of Sarasota County Visitor Services, Inc. (the Organization), which comprise the combined statements of financial position as of September 30, 2023 and 2022, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Sarasota Convention and Visitors Bureau, Inc. d/b/a Visit Sarasota County and Friends of Sarasota County Visitor Services, Inc. as of September 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Sarasota Convention and Visitors Bureau, Inc. d/b/a Visit Sarasota County and Friends of Sarasota County Visitor Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sarasota Convention and Visitors Bureau, Inc. d/b/a Visit Sarasota County and Friends of Sarasota County Visitor Services, Inc.'s ability to continue as a going concern within one year after the date that the combined 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 combined 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 combined 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 combined 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 combined 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 Sarasota Convention and Visitors Bureau, Inc. d/b/a Visit Sarasota County and Friends of Sarasota County Visitor Services, Inc.'s internal control. 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sarasota Convention and Visitors Bureau, Inc. d/b/a Visit Sarasota County and Friends of Sarasota County Visitor Services, Inc.'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.

Hill, Barth & King LLC

Certified Public Accountants

COMBINED STATEMENTS OF FINANCIAL POSITION

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash and cash equivalents | \$ 700,638 | \$ 753,145 |
| Certificate of deposit | 170,468 | 0 |
| Accounts receivable | 36,860 | 25,058 |
| Income tax refund receivable | 1,916 | 42,838 |
| Due from Sarasota County | 745,706 | 623,741 |
| Prepaid expenses | 70,242 | 110,093 |
| TOTAL CURRENT ASSETS | <u>1,725,830</u> | <u>1,554,875</u> |
| <u>PROPERTY AND EQUIPMENT - NOTE B</u> | 41,890 | 24,482 |
| <u>OTHER ASSETS</u> | | |
| Operating lease right-of-use assets - NOTE C | 158,724 | 0 |
| Deposits | 11,375 | 11,375 |
| TOTAL OTHER ASSETS | <u>170,099</u> | <u>11,375</u> |
| TOTAL ASSETS | <u>\$ 1,937,819</u> | <u>\$ 1,590,732</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable | \$ 168,925 | \$ 304,412 |
| Accrued payroll and benefits | 48,222 | 53,145 |
| Current portion of operating lease liabilities - NOTE C | 134,631 | 0 |
| Current portion of finance lease liabilities - NOTE C | 2,466 | 0 |
| Deferred revenue | 174,749 | 168,118 |
| TOTAL CURRENT LIABILITIES | <u>528,993</u> | <u>525,675</u> |
| <u>LONG-TERM LIABILITIES</u> | | |
| Operating lease liabilities, less current portion - NOTE C | 12,063 | 0 |
| Finance lease liabilities, less current portion - NOTE C | 5,015 | 0 |
| Deferred compensation | 0 | 16,971 |
| TOTAL LONG-TERM LIABILITIES | <u>17,078</u> | <u>16,971</u> |
| <u>NET ASSETS</u> | | |
| Without donor restrictions | 1,391,748 | 1,048,086 |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,937,819</u> | <u>\$ 1,590,732</u> |

See accompanying notes to combined financial statements

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

Years ended September 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|------------------------------------|---------------------|---------------------|
| <u>REVENUE</u> | | |
| Management services | \$ 1,302,095 | \$ 1,060,500 |
| Membership dues and related income | 465,703 | 356,094 |
| Visitor guide | 181,579 | 170,274 |
| Special events | 32,463 | 31,715 |
| Rental income | 51,586 | 0 |
| Other income | 24,307 | 71,124 |
| TOTAL REVENUE | <u>2,057,733</u> | <u>1,689,707</u> |
| <u>EXPENSES</u> | | |
| Program services | 1,431,192 | 1,376,323 |
| Membership development | 124,844 | 99,357 |
| Management and general | 163,571 | 150,929 |
| TOTAL EXPENSES | <u>1,719,607</u> | <u>1,626,609</u> |
| INCREASE IN NET ASSETS | <u>338,126</u> | <u>63,098</u> |
| <u>NET ASSETS</u> | | |
| Beginning of year | 1,048,086 | 984,988 |
| ASC 842 implementation | 5,536 | 0 |
| End of year | <u>\$ 1,391,748</u> | <u>\$ 1,048,086</u> |

See accompanying notes to combined financial statements

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

Year ended September 30, 2023

| | Program Services | Membership Development | Management and General | Total |
|-------------------------------|-----------------------------|-----------------------------------|---------------------------------------|---------------------|
| <u>EXPENSES</u> | | | | |
| Advertising and promotion | \$ 73,220 | \$ 0 | \$ 8,136 | \$ 81,356 |
| Bank fees | 0 | 0 | 4,573 | 4,573 |
| Depreciation and amortization | 18,125 | 0 | 2,014 | 20,139 |
| Dues and subscriptions | 3,437 | 0 | 382 | 3,819 |
| Insurance | 6,578 | 0 | 731 | 7,309 |
| Licenses and fees | 0 | 0 | 324 | 324 |
| Meetings | 6,174 | 0 | 686 | 6,860 |
| Office expense | 6,049 | 0 | 672 | 6,721 |
| Operating lease expense | 51,800 | 0 | 5,756 | 57,556 |
| Partner development | 0 | 5,018 | 0 | 5,018 |
| Payroll taxes and benefits | 176,408 | 15,303 | 19,601 | 211,312 |
| Professional fees | 70,792 | 0 | 7,866 | 78,658 |
| Repairs and maintenance | 34,940 | 0 | 3,882 | 38,822 |
| Salaries and wages | 969,050 | 71,080 | 107,672 | 1,147,802 |
| Sales tax on leases | 7,842 | 0 | 871 | 8,713 |
| Special events | 0 | 33,443 | 0 | 33,443 |
| Staff development | 3,649 | 0 | 405 | 4,054 |
| Travel | 3,128 | 0 | 0 | 3,128 |
| TOTAL EXPENSES | <u>\$ 1,431,192</u> | <u>\$ 124,844</u> | <u>\$ 163,571</u> | <u>\$ 1,719,607</u> |

See accompanying notes to combined financial statements

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

Year ended September 30, 2022

| | Program Services | Membership Development | Management and General | Total |
|----------------------------|---------------------|---------------------------|------------------------------|---------------------|
| EXPENSES | | | | |
| Advertising and promotion | \$ 62,790 | \$ 0 | \$ 6,977 | \$ 69,767 |
| Bank fees | 0 | 0 | 3,556 | 3,556 |
| Depreciation | 22,001 | 0 | 2,445 | 24,446 |
| Dues and subscriptions | 2,770 | 0 | 308 | 3,078 |
| Insurance | 5,852 | 0 | 650 | 6,502 |
| Licenses and fees | 0 | 0 | 309 | 309 |
| Loss on disposal of assets | 0 | 0 | 1,042 | 1,042 |
| Meetings | 3,359 | 0 | 373 | 3,732 |
| Office expense | 8,852 | 0 | 984 | 9,836 |
| Partner development | 0 | 6,751 | 0 | 6,751 |
| Payroll taxes and benefits | 166,916 | 13,569 | 18,546 | 199,031 |
| Professional fees | 62,365 | 0 | 6,929 | 69,294 |
| Rent | 89,874 | 0 | 9,986 | 99,860 |
| Repairs and maintenance | 304 | 0 | 34 | 338 |
| Salaries and wages | 881,935 | 58,432 | 97,993 | 1,038,360 |
| Special events | 0 | 20,605 | 0 | 20,605 |
| Staff development | 7,171 | 0 | 797 | 7,968 |
| Travel | 2,204 | 0 | 0 | 2,204 |
| Visitor guide | 59,906 | 0 | 0 | 59,906 |
| Visitors' center | 24 | 0 | 0 | 24 |
| TOTAL EXPENSES | <u>\$ 1,376,323</u> | <u>\$ 99,357</u> | <u>\$ 150,929</u> | <u>\$ 1,626,609</u> |

See accompanying notes to combined financial statements

COMBINED STATEMENTS OF CASH FLOWS

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

Years ended September 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Increase in net assets | \$ 338,126 | \$ 63,098 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 20,139 | 24,446 |
| Amortization of operating lease right-of-use assets | 118,986 | 0 |
| Loss on disposal of fixed assets | 0 | 1,042 |
| Interest earned on certificate of deposit | (744) | 0 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (11,802) | (7,112) |
| Income tax refund receivable | 40,922 | (42,838) |
| Due from Sarasota County | (121,965) | (208,049) |
| Prepaid expenses | 39,851 | (32,129) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (135,487) | 240,670 |
| Accrued payroll and benefits | (4,923) | (5,819) |
| Other accrued expenses | 0 | (53) |
| Deferred revenue | 6,631 | 41,382 |
| Deferred compensation | (16,971) | 0 |
| Operating lease liabilities | (125,462) | 0 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>147,301</u> | <u>74,638</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchase of property and equipment | (27,716) | (12,208) |
| Purchase of certificate of deposit | (169,724) | 0 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(197,440)</u> | <u>(12,208)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Principal payments on finance lease liabilities | (2,368) | 0 |
| NET CASH USED IN FINANCING ACTIVITIES | <u>(2,368)</u> | <u>0</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (52,507) | 62,430 |
| <u>CASH AND CASH EQUIVALENTS</u> | | |
| Beginning of year | 753,145 | 690,715 |
| End of year | <u>\$ 700,638</u> | <u>\$ 753,145</u> |

See accompanying notes to combined financial statements

NOTES TO COMBINED FINANCIAL STATEMENTS

SARASOTA CONVENTION AND VISITORS BUREAU, INC. D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF SARASOTA COUNTY VISITOR SERVICES, INC.

September 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

Sarasota Convention and Visitors Bureau, Inc. (the Organization) was incorporated on July 6, 1982, under the laws of the State of Florida as a not-for-profit organization to advance and develop tourism within Sarasota County (the County). The d/b/a Visit Sarasota County was registered with the State of Florida effective April 19, 2012. As provided for within Chapter 125 of Florida Statutes and 114 of Sarasota County Code, the Organization is the official marketing organization for the County. Effective January 1, 2013, Friends of Sarasota County Visitor Services, Inc. (Friends) was registered with the State of Florida as a not-for-profit organization for purposes of providing visitor services to more of Sarasota County through use of a mobile visitor's center to be funded by local businesses. By virtue of the common management, the accounts of Friends are combined in the accompanying combined financial statements with the accounts of the Organization as of January 1, 2013.

Governed by annual contracts with the County, the primary responsibility of the Organization is to manage and administer the Sarasota County Tourism Business Plan funded by the Tourist Development Tax Proceeds. The Organization earns revenues from the County for performance of management and administration services detailed in the contract. As part of the services performed for this fee, the Organization acts as an agent between the County and the various vendors providing tourist related goods or services. The Organization pays vendors on the County's behalf and receives reimbursements from the County or the Organization provides documentation to the County for direct payment of goods and services. These reimbursements and direct payments are not recorded as revenues, because the Organization is acting as an agent in these transactions.

The Organization operates visitors' centers and has corporate office space in Sarasota, Florida. The Organization also obtains private sector funding, as required by the contract with the County, in the form of membership dues, revenues from selling advertising space within the visitor guide, cooperative advertising efforts, and retail sales at the visitors' center. Friends was established for the purpose of operating a mobile visitor center and to provide a means to solicit tax deductible contributions.

Combination:

The accompanying combined financial statements include the accounts of Sarasota Convention and Visitors Bureau, Inc. d/b/a Visit Sarasota County and Friends of Sarasota County Visitor Services, Inc., which are collectively referred to as the Organization. All significant intercompany accounts and transactions have been eliminated in combination.

Recently Adopted Accounting Guidance:

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (ASC 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the combined statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective October 1, 2022 and recognized and measured leases existing at, or entered into after, October 1, 2022 (the beginning of the period of adoption), with certain practical expedients available. Lease disclosures for the year ended September 30, 2022 are made under prior lease guidance in FASB ASC 840.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Guidance (Continued):

As a result of the adoption of the new lease accounting guidance, the Organization recognized on October 1, 2022 a finance lease liability of \$9,849 and a finance lease right-of-use asset of \$9,831. The Organization also recognized on October 1, 2022 an operating lease liability of \$183,134, which represents the present value of the remaining operating lease payments of \$191,577, discounted using a weighted average risk-free rate of 4.09%, and an operating lease right-of-use asset of \$188,688. The difference between the additional lease assets and lease liabilities of \$5,536 was recorded as a cumulative effect adjustment to net assets.

Basis of Accounting:

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates:

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation:

The Organization follows the standards of accounting and financial reporting of Not-for-Profit Organizations, which requires the net assets of the Organization and changes therein to be classified and reported as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no net assets with donor restrictions at September 30, 2023 and 2022.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires or is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization records the support as net assets without donor restrictions. The Organization did not receive any contributions with donor imposed restrictions during the years ended September 30, 2023 and 2022.

Revenue Recognition:

Membership dues, visitor guide and co-op advertising revenues are initially deferred, and the revenue is recognized as it is earned. Management service revenues are recognized ratably over the term of the contract. Contributions and other nonexchange revenues are recognized at the time of receipt.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents:

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less.

Certificate of Deposit:

The Company classifies its certificates of deposit as cash and cash equivalents or short-term investments and reassesses the appropriateness of the classification of its investments at the end of each reporting period. Certificates of deposit held for investment with an original maturity greater than three months are carried at amortized cost and reported as short-term investments on the combined statements of financial position.

Accounts Receivable:

Accounts receivable, which is comprised of amounts due from members for annual membership fees, visitors guide and co-op advertising, is stated at the amount management expects to collect from balances outstanding at year end. The potential risk is limited to the amounts recorded in the combined financial statements. Based on management's assessment of the credit history with members having balances outstanding and current relationships with them, it has estimated that realization of losses on balances outstanding at year end will not be significant.

Due from Sarasota County:

Due from Sarasota County consists of management and administration fees receivable, which is stated at the amount per the contract with the County. Also included are amounts due to the Organization for tourism related expenses paid on behalf of the County.

Property and Equipment:

Property and equipment is recorded at cost, less accumulated depreciation. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is provided over the estimated useful lives of their respective assets using the straight-line method. Estimated useful lives range from 3 to 9 years.

Leases:

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the combined statements of financial position. Finance leases are included in property and equipment and finance lease liabilities on the combined statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, a risk-free rate is utilized based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued):

Certain of the Organization's lease agreements include rental payments based on changes in the Consumer Price Index (CPI). Lease liabilities are not remeasured as a result of changes in the CPI; instead, changes in the CPI are treated as variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized in the period in which the related obligation was incurred.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization subleases certain space to third parties. The sublease consists of an operating lease for office space within the building where the headquarters are located. The term of the sublease agreement began on October 1, 2022, for a 12-month term with annual automatic renewals, unless notice of non-renewal is provided by either party at least 90-days prior to the annual renewal date. Sublease income recognized was \$51,586 and \$0 for the years ended September 30, 2023 and 2022, respectively.

Functional Allocation of Expenses:

The costs of providing program and supporting services have been summarized on a functional basis. Costs are allocated between management and general, membership development, or program services based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes:

The Organization is a not-for-profit organization exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes all advertising related income. The Organization has not been classified as a private foundation and incurred \$0 in unrelated business income tax for the years ended September 30, 2023 and 2022. Friends received acceptance of exempt status under Section 501(c)(3) of the Internal Revenue Code during the year ended September 30, 2014.

Advertising and Promotion:

Purchased advertising media is expensed when the related media is published or broadcast. Costs incurred in advance of an advertising program, such as printing and production, are recorded as prepaid expenses until the corresponding media is published or broadcast; at which time it is expensed. Other advertising costs are charged to operations as incurred.

Subsequent Events:

Management evaluated all activity of the Organization through January 11, 2024, the date the combined financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the combined financial statements, except as described below.

On December 12, 2023, the board of directors approved to dissolve Friends of Sarasota County Visitor Services, Inc.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at September 30:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|------------------|------------------|
| Furniture and fixtures | \$ 24,393 | \$ 10,934 |
| Office equipment | 130,635 | 137,445 |
| Leasehold improvements | 25,064 | 25,064 |
| Finance lease right-of-use assets | 7,373 | 0 |
| | <u>187,465</u> | <u>173,443</u> |
| Less accumulated depreciation | 145,575 | 148,961 |
| NET PROPERTY AND EQUIPMENT | <u>\$ 41,890</u> | <u>\$ 24,482</u> |

Depreciation expense for the years ended September 30, 2023 and 2022 was \$17,681 and \$24,446, respectively.

NOTE C - LEASES

Leases under ASC 840 for the year ended September 30, 2022:

On August 28, 2019, the Organization entered into a non-cancelable operating lease agreement with an unrelated party for corporate office space set to commence on January 1, 2020. The lease terminates February 28, 2025. The monthly rent payments are \$8,379, including sales tax and operating expenses, and shall be increased by 3% per annum.

On October 1, 2017, the Organization entered into a non-cancelable operating lease agreement with an unrelated party for the location of a Visitor Center. The lease term was scheduled to expire on September 30, 2022, but has been extended through September 30, 2024. There is an option for an additional term of five years. The monthly rent payments are \$3,682, including sales tax, and shall be increased annually by the lesser of 5% of the prior year's rental or the percentage, if any, of the increase in the Consumer Price Index.

On January 8, 2019, the Organization entered into a non-cancelable operating lease agreement with an unrelated party for a second location of a Visitor Center and terminating on December 30, 2021. On December 14, 2021, the lease was renewed through December 30, 2023. There is an additional option to renew through December 30, 2028. The monthly rent payments are \$1,798, including sales tax, and shall be increased annually by the percentage, if any, of the increase in the Consumer Price Index.

On June 26, 2021, the Organization entered into a non-cancelable operating lease agreement with an unrelated party for office equipment. The term of the lease began on July 1, 2021 and is a 63-month lease with monthly payments, including tax, totaling \$227.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022

NOTE C - LEASES (CONTINUED)

Leases under ASC 840 for the year ended September 30, 2022 (Continued):

The following is a schedule of annual future minimum lease payments required under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2022:

| | |
|------|-------------------|
| 2023 | \$ 174,904 |
| 2024 | 163,231 |
| 2025 | 55,913 |
| 2026 | 2,724 |
| 2027 | 227 |
| | <u>\$ 396,999</u> |

Rent expense for the year ended September 30, 2022 was \$165,616. The Visitor Center's rent is reimbursed by Sarasota County (See Note F), which totaled \$65,756 for the year ended September 30, 2022. The Organization's future minimum lease payments will be offset by the reimbursement from Sarasota County as follows:

| | |
|------|-------------------|
| 2023 | \$ 69,866 |
| 2024 | 56,009 |
| | <u>\$ 125,875</u> |

Leases under ASC 842 for the year ended September 30, 2023:

The Organization has operating and finance leases for office space, Visitor Centers, and office equipment, one of which includes an option to extend the lease for up to 2 years. As of September 30, 2023, assets recorded under finance leases were \$9,831 and accumulated depreciation associated with finance leases was \$2,458. For the year ended September 30, 2023, the Organization obtained operating lease right-of-use assets in exchange for lease obligations totaling \$89,022.

The components of lease expense for the year ended September 30, 2023 is as follows:

| | |
|-------------------------------------|-------------------|
| Operating lease cost | <u>\$ 127,558</u> |
| Finance lease cost: | |
| Amortization of right-of-use assets | \$ 2,458 |
| Interest on lease liabilities | 356 |
| TOTAL FINANCE LEASE COST | <u>\$ 2,814</u> |

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022

NOTE C - LEASES (CONTINUED)

Leases under ASC 842 for the year ended September 30, 2023 (Continued):

Other information related to leases for the year ended September 30, 2023 is as follows:

Weighted average remaining lease terms:

| | |
|------------------|------------|
| Operating leases | 1.19 years |
| Finance leases | 3.00 years |

Weighted average discount rate:

| | |
|------------------|-------|
| Operating leases | 4.13% |
| Finance leases | 4.06% |

Future minimum lease payments under non-cancellable leases as of September 30, 2023 are as follows:

| | <u>Operating</u> | <u>Finance</u> |
|---------------------------------|-------------------|-----------------|
| 2024 | \$ 138,127 | \$ 2,724 |
| 2025 | 12,124 | 2,724 |
| 2026 | 0 | 2,497 |
| Total future minimum payments | <u>150,251</u> | <u>7,945</u> |
| Less remaining imputed interest | <u>3,557</u> | <u>464</u> |
| Total | <u>\$ 146,694</u> | <u>\$ 7,481</u> |

NOTE D - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. The Organization maintains its cash and cash equivalents with major banks and financial institutions. At any given time, the Organization may have cash balances exceeding the federal depository insurance coverage limits. The Organization has not experienced any losses in such accounts and does not believe such accounts are exposed to any significant credit risk.

The Organization receives a substantial amount of its support from the County in the form of the management and administration fees and various forms of revenues from local organizations. The loss of the contract with the County, a significant reduction in the level of tourist development taxes collected by the County, or a severe economic downturn may have a materially adverse effect on the financial position and operations of the Organization. Management and administration service revenue from the County represents 64% and 63% of total revenues for the years ended September 30, 2023 and 2022, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022

NOTE E - RETIREMENT PLAN

The Organization has established a Savings Incentive Match Plan for Employees (SIMPLE) Individual Retirement Account (IRA) Plan for eligible employees. To become eligible to participate in the Plan, the employee must have earned \$5,000 during any two preceding years and be reasonably expected to earn such amount during the year of eligibility. The Organization made matching contributions equal to 100% of the participating employees' elective deferrals not exceeding 3% of the employees' compensation. Retirement expense, included in payroll taxes and benefits in the accompanying combined statements of activities and changes in net assets, for the years ended September 30, 2023 and 2022 was \$29,029 and \$25,716, respectively.

NOTE F - CONTRACT REIMBURSEMENTS AND DIRECT PAYMENTS

The Organization's contract with the County for the years ended September 30, 2023 and 2022 allocated a sum not to exceed \$5,890,000 and \$5,294,850, respectively, for tourism promotion related expenses including the Organization's fee for management.

For the years ended September 30, 2023 and 2022, the Organization submitted \$5,574,568 and \$5,239,539 in invoices to the County for expenses including the management fee revenue of \$1,302,095 and \$1,060,500, respectively. The expenses incurred in the years ended September 30, 2023 and 2022 were less than the total sums allocated by the County by \$315,432 and \$55,311, respectively, during each fiscal year. These amounts under budget are held by the County.

Contract expenses are as follows for the years ended September 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|---------------------|---------------------|
| Advertising, promotion and marketing | \$ 4,181,425 | \$ 4,066,205 |
| Management services | 1,302,093 | 1,060,500 |
| Postage and shipping | 20,572 | 44,185 |
| Telecommunications | 21,414 | 23,649 |
| Administrative | 49,064 | 45,000 |
| TOTAL CONTRACT EXPENSES | <u>\$ 5,574,568</u> | <u>\$ 5,239,539</u> |

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC.
D/B/A VISIT SARASOTA COUNTY AND FRIENDS OF
SARASOTA COUNTY VISITOR SERVICES, INC.**

September 30, 2023 and 2022

NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization regularly monitors the availability of resources required to meet operating needs and other contractual commitments, while also striving to maximize the services provided to the community in which it serves.

The Organization's financial assets available for general use expenditures within one year as of September 30, consist of the following:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 700,638 | \$ 753,145 |
| Accounts receivable | 36,860 | 25,058 |
| Income tax refund receivable | 1,916 | 42,838 |
| Due from Sarasota County | <u>745,706</u> | <u>623,741</u> |
| Total financial assets available to management for general expenditure within one year | <u>\$ 1,485,120</u> | <u>\$ 1,444,782</u> |