

COMBINED FINANCIAL STATEMENTS

**SARASOTA CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE  
D/B/A VISIT SARASOTA COUNTY**

September 30, 2017 and 2016

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January 25, 2018

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

### **Independent Auditor's Report**

We have audited the accompanying combined financial statements of Sarasota Convention and Visitors Bureau, Inc. and Affiliate d/b/a Visit Sarasota County (the Organization), which comprise the combined statements of financial position as of September 30, 2017 and 2016, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2017 and 2016, 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.

*Hill, Barth & King LLC*

Certified Public Accountants

COMBINED STATEMENTS OF FINANCIAL POSITION

**SARASOTA CONVENTION AND VISITORS BUREAU, INC. AND AFFILIATE  
D/B/A VISIT SARASOTA COUNTY**

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 399,377	\$ 297,238
Accounts receivable	336,613	372,556
Due from Sarasota County	458,395	461,046
Prepaid expenses	49,499	141,208
TOTAL CURRENT ASSETS	<u>1,243,884</u>	<u>1,272,048</u>
<b><u>PROPERTY AND EQUIPMENT - NOTE B</u></b>	<b>51,922</b>	52,060
<b><u>OTHER ASSETS</u></b>		
Deposits	12,590	13,130
TOTAL ASSETS	<u>\$ 1,308,396</u>	<u>\$ 1,337,238</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 260,293	\$ 231,444
Accrued expenses	180	0
Accrued payroll and benefits	33,791	31,842
Deferred revenue	405,122	539,542
TOTAL CURRENT LIABILITIES	<u>699,386</u>	<u>802,828</u>
<b><u>NET ASSETS</u></b>		
Unrestricted	609,010	534,410
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,308,396</u>	<u>\$ 1,337,238</u>

See accompanying notes to combined financial statements

COMBINED STATEMENTS OF ACTIVITIES  
AND CHANGES IN NET ASSETS

**SARASOTA CONVENTION AND VISITORS BUREAU, INC. AND AFFILIATE**  
**D/B/A VISIT SARASOTA COUNTY**

Years ended September 30, 2017 and 2016

	2017	2016
<u>REVENUE</u>		
Management services	\$ 1,145,000	\$ 1,095,000
Membership dues and related income	422,206	351,399
Visitor guide	294,616	277,196
Co-op advertising	52,568	190,201
Other	49,109	16,070
TOTAL REVENUE	1,963,499	1,929,866
<u>EXPENSES</u>		
Salaries and wages	1,169,379	1,103,246
Payroll taxes and benefits	237,739	225,852
Co-op advertising	52,568	190,201
Visitor guide	118,266	99,354
Rent - office and equipment	84,783	76,993
Visitors' center	49,189	68,321
Office	78,347	66,983
Other	18,900	36,688
Depreciation	25,684	29,344
Advertising and promotion	42,879	22,031
Loss on disposal of fixed assets	11,165	1,081
TOTAL EXPENSES	1,888,899	1,920,094
INCREASE IN NET ASSETS	74,600	9,772
<u>NET ASSETS</u>		
Beginning of year	534,410	524,638
End of year	\$ 609,010	\$ 534,410

See accompanying notes to combined financial statements

COMBINED STATEMENTS OF CASH FLOWS

**SARASOTA CONVENTION AND VISITORS BUREAU, INC. AND AFFILIATE  
D/B/A VISIT SARASOTA COUNTY**

Years ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 74,600	\$ 9,772
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,684	29,344
Loss on disposal of fixed assets	11,165	1,081
(Increase) decrease in accounts receivable	35,943	(107,312)
(Increase) decrease in due from Sarasota County	2,651	(67,747)
(Increase) decrease in prepaid expenses	91,709	(9,694)
Decrease in deposits	540	888
Increase in accounts payable	28,849	48,580
Increase (decrease) in accrued expenses	180	(5,001)
Increase (decrease) in accrued payroll and benefits	1,949	(23,827)
Decrease in deferred revenue	(134,420)	(108,295)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>138,850</u>	<u>(232,211)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(36,711)	(13,097)
NET CASH USED IN INVESTING ACTIVITIES	<u>(36,711)</u>	<u>(13,097)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	102,139	(245,308)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	297,238	542,546
End of year	<u>\$ 399,377</u>	<u>\$ 297,238</u>

See accompanying notes to combined financial statements

## NOTES TO COMBINED FINANCIAL STATEMENTS

### **SARASOTA CONVENTION AND VISITORS BUREAU, INC. AND AFFILIATE D/B/A VISIT SARASOTA COUNTY**

September 30, 2017 and 2016

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Nature of Operations:**

Sarasota Convention and Visitors Bureau, Inc. and Affiliate (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 a visitors' center 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. and its affiliate, 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.

##### **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:

Unrestricted net assets: Net assets not subject to donor-imposed stipulations. Such assets are available for any purpose consistent with the Organization's mission.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets as of September 30, 2017 and 2016.



NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC. AND AFFILIATE  
D/B/A VISIT SARASOTA COUNTY**

September 30, 2017 and 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued):**

Permanently restricted net assets: Net assets subject to donor imposed stipulations that they will be maintained permanently by the Organization. There were no permanently restricted net assets as of September 30, 2017 and 2016.

**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).

**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. Retail sales are recognized at the point of sale. All other revenues are recognized at the time of receipt.

**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. The Organization places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

**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. The potential risk is limited to the amounts recorded in the 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 yearend 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 Sarasota County. Also included are amounts due to the Organization for tourism related expenses paid on behalf of Sarasota 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.

**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.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC. AND AFFILIATE  
D/B/A VISIT SARASOTA COUNTY**

September 30, 2017 and 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 investment income such as interest received from sources other than directly from the membership. The Organization has not been classified as a private foundation and incurred \$-0- in unrelated business income tax for the years ended September 30, 2017 and 2016. 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 25, 2018, 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 or notes.

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows at September 30:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 3,175	\$ 9,143
Office equipment	142,025	146,566
Leasehold improvements	10,819	15,961
	<u>156,019</u>	<u>171,670</u>
Less accumulated depreciation	104,097	119,610
NET PROPERTY AND EQUIPMENT	<u>\$ 51,922</u>	<u>\$ 52,060</u>

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC. AND AFFILIATE  
D/B/A VISIT SARASOTA COUNTY**

September 30, 2017 and 2016

**NOTE C - OPERATING LEASES**

On October 1, 2017, the Organization entered into a non-cancelable operating lease agreement with an unrelated party for the location of the Visitor Center. The lease terminates on September 30, 2020 with the option to renew for two years followed by an additional term of five years. The initial monthly rent payments are \$3,545, including 7% Florida sales tax, and shall be increased by 3% per annum.

The Organization has a non-cancelable operating lease agreement for corporate office space with an unrelated party. The lease term was scheduled to expire on December 31, 2016 but has been extended through December 31, 2019, and includes an option to renew for up to three additional years. The initial monthly base rent payments as extended are \$6,922, including 7% Florida sales tax, and shall be increased by 5% per annum.

Total rent expense for the years ended September 30, 2017 and 2016 was \$110,251 and \$110,019, respectively.

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, 2017 for each of the next five years and in the aggregate.

2018	\$ 131,446
2019	137,031
2020	70,753
2021	2,724
2022	681
	<u>\$ 342,635</u>

**NOTE D - SPONSORSHIP AGREEMENT**

On June 26, 2014, the Organization entered into a five year non-cancelable agreement to conduct sponsorship and promotional activities at The Mall at University Town Center commencing October 16, 2014 and terminating October 15, 2019. The agreement required a payment of \$137,025 due on or before October 1, 2014 for the first two years and a payment of \$71,611 due on or before October 1, 2016 for the third year, increasing by 3% annually for the remainder of the agreement. The following is a schedule of annual future minimum payments required under the agreement as of September 30:

2018	\$ 73,759
2019	75,972
	<u>\$ 149,731</u>

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**SARASOTA CONVENTION AND VISITORS BUREAU, INC. AND AFFILIATE  
D/B/A VISIT SARASOTA COUNTY**

September 30, 2017 and 2016

**NOTE E - CONCENTRATIONS OF 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 58% and 57% of total revenues for the years ended September 30, 2017 and 2016, respectively.

**NOTE F - 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, 2017 and 2016 was \$26,222 and \$19,526, respectively.

**NOTE G - CONTRACT REIMBURSEMENTS AND DIRECT PAYMENTS**

The Organization's contract with the County for the years ended September 30, 2017 and 2016 allocated a sum not to exceed \$7,015,000 and \$6,226,800, respectively, for tourism promotion related expenses including the Organization's fee for management. Also included in those amounts are \$140,000 and \$130,000 for film productions for the years ended September 30, 2017 and 2016, respectively. The film budget represents a transfer of funds to the Economic Development Corporation, Film & Entertainment Office, and as such the Organization had no responsibility for the accounting of the expenditure of the film budget line item.

For the years ended September 30, 2017 and 2016, the Organization submitted \$6,670,510 and \$5,865,162 in invoices to the County for expenses including the management fee revenue of \$1,145,000 and \$1,095,000, respectively. The expenses incurred in the years ended September 30, 2017 and 2016 were less than the total sums allocated by the County by \$204,490 and \$231,638, respectively, excluding the film budget line item during each year. These amounts under budget are held by the County. Contract expenses are as follows for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Advertising, promotion and marketing	\$ 5,379,789	\$ 4,564,836
Management services	1,145,000	1,095,000
Postage and shipping	70,535	105,857
Telecommunications	25,194	62,757
Administrative	49,992	36,712
TOTAL CONTRACT EXPENSES	<u>\$ 6,670,510</u>	<u>\$ 5,865,162</u>