

COMBINED FINANCIAL STATEMENTS

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

September 30, 2018 and 2017



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January 8, 2019

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, 2018 and 2017, 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 audit 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, 2018 and 2017, 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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 497,080	\$ 399,377
Accounts receivable	239,912	336,613
Due from Sarasota County	805,350	458,395
Prepaid expenses	41,309	49,499
TOTAL CURRENT ASSETS	<u>1,583,651</u>	<u>1,243,884</u>
<u>PROPERTY AND EQUIPMENT - NOTE B</u>	50,978	51,922
<u>OTHER ASSETS</u>		
Deposits	6,634	12,590
TOTAL ASSETS	<u>\$ 1,641,263</u>	<u>\$ 1,308,396</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 456,521	\$ 260,293
Accrued payroll and benefits	27,489	33,791
Other accrued expenses	108	180
Deferred revenue	437,165	405,122
TOTAL CURRENT LIABILITIES	<u>921,283</u>	<u>699,386</u>
<u>NET ASSETS</u>		
Unrestricted	719,980	609,010
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,641,263</u>	<u>\$ 1,308,396</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, 2018 and 2017

	2018	2017
<u>REVENUE</u>		
Management services	\$ 1,150,000	\$ 1,145,000
Membership dues and related income	458,395	422,206
Visitor guide	259,644	294,616
Co-op advertising	83,520	52,568
Other	23,164	49,109
TOTAL REVENUE	1,974,723	1,963,499
<u>EXPENSES</u>		
Salaries and wages	1,175,243	1,169,379
Payroll taxes and benefits	227,276	237,739
Co-op advertising	83,520	52,568
Visitor guide	118,000	118,266
Rent - office and equipment	89,320	84,783
Visitors' center	8,022	49,189
Office	82,911	78,347
Other	2,063	18,900
Depreciation	19,112	25,684
Advertising and promotion	56,643	42,879
Loss on disposal of fixed assets	1,643	11,165
TOTAL EXPENSES	1,863,753	1,888,899
INCREASE IN NET ASSETS	110,970	74,600
<u>NET ASSETS</u>		
Beginning of year	609,010	534,410
End of year	\$ 719,980	\$ 609,010

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 110,970	\$ 74,600
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	19,112	25,684
Loss on disposal of fixed assets	1,643	11,165
Decrease in accounts receivable	96,701	35,943
(Increase) decrease in due from Sarasota County	(346,955)	2,651
Decrease in prepaid expenses	8,190	91,709
Decrease in deposits	5,956	540
Increase in accounts payable	196,228	28,849
Increase (decrease) in accrued payroll and benefits	(6,302)	1,949
Increase (decrease) in other accrued expenses	(72)	180
Increase (decrease) in deferred revenue	32,043	(134,420)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>117,514</u>	<u>138,850</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(19,811)	(36,711)
NET CASH USED IN INVESTING ACTIVITIES	<u>(19,811)</u>	<u>(36,711)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,703	102,139
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	399,377	297,238
End of year	<u>\$ 497,080</u>	<u>\$ 399,377</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, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

Sarasota Convention Center 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 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. d/b/a Visit Sarasota County 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, 2018 and 2017.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

September 30, 2018 and 2017

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, 2018 and 2017.

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.

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.

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, 2018 and 2017

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, 2018 and 2017. 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 8, 2019, 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 in Note C.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at September 30:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 3,175	\$ 3,175
Office equipment	136,353	142,025
Leasehold improvements	16,562	10,819
	<u>156,090</u>	<u>156,019</u>
Less accumulated depreciation	105,112	104,097
NET PROPERTY AND EQUIPMENT	<u>\$ 50,978</u>	<u>\$ 51,922</u>

NOTE C - OPERATING LEASES

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 current monthly base rent payments as extended are \$7,268, including 7% Florida sales tax, and shall be increased by 5% per annum.

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 current monthly rent payments are \$3,651, including 7% Florida sales tax, and shall be increased annually by the lesser of 3% of the prior year's rental or the percentage, if any, of the increase in the Consumer Price Index.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

September 30, 2018 and 2017

NOTE C - OPERATING LEASES (CONTINUED)

On January 8, 2019, the Organization entered into a non-cancelable operating lease agreement with an unrelated party for a second location of the Visitor Center. The lease terminates on December 30, 2021 with the option to renew through December 30, 2023, followed by an additional option to renew through December 30, 2028. The future monthly rent payments will be \$1,766, including 7% sales tax and shall be increased annually by the percentage, if any, of the increase in the Consumer Price Index.

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, 2018:

2019	\$ 150,197
2020	89,215
2021	21,186
2022	5,297
	<u>\$ 265,895</u>

Rent expense for the years ended September 30, 2018 and 2017 was \$128,722 and \$110,251, respectively. The Visitor Center's rent is reimbursed by Sarasota County (See Note G), which totaled \$42,543 and \$0 for the years ended September 30, 2018 and 2017, respectively. The Organization's future minimum lease payments will be offset by the reimbursement from Sarasota County as follows:

2019	\$ 43,819
2020	45,134
	<u>\$ 88,953</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 remaining annual minimum lease payment required under the agreement is \$75,972 for the year ended September 30, 2019. Expenses incurred under the sponsorship agreement for the years ended September 30, 2018 and 2017 was \$78,922 and \$77,124, respectively.

NOTE E - 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.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

September 30, 2018 and 2017

NOTE E - CONCENTRATIONS OF CREDIT RISK (CONTINUED)

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% of total revenues for the years ended September 30, 2018 and 2017.

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, 2018 and 2017 was \$24,747 and \$26,222, respectively.

NOTE G - CONTRACT REIMBURSEMENTS AND DIRECT PAYMENTS

The Organization's contract with the County for the years ended September 30, 2018 and 2017 allocated a sum not to exceed \$6,515,300 and \$7,015,000, respectively, for tourism promotion related expenses including the Organization's fee for management. Also included in those amounts are \$130,000 and \$140,000 for film productions for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, the Organization submitted \$6,270,001 and \$6,670,510 in invoices to the County for expenses including the management fee revenue of \$1,150,000 and \$1,145,000, respectively. The expenses incurred in the years ended September 30, 2018 and 2017 were less than the total sums allocated by the County by \$115,299 and \$204,490, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Advertising, promotion and marketing	\$ 4,984,020	\$ 5,379,789
Management services	1,150,000	1,145,000
Postage and shipping	61,406	70,535
Telecommunications	24,575	25,194
Administrative	50,000	49,992
TOTAL CONTRACT EXPENSES	<u>\$ 6,270,001</u>	<u>\$ 6,670,510</u>