VISIT PENSACOLA, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Warren Averett
CPAs AND ADVISORS

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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Finance Committee and Board of Directors
Visit Pensacola, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Visit Pensacola, Inc., [a 501(c)(6) nonprofit corporation], (hereinafter referred to as "VPI"), which comprise the statements of financial position as of September 30, 2016 and 2015, 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, 2016 and 2015, 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
January 16, 2017

VISIT PENSACOLA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 723,494	$ 11,803
Accounts receivable, net of allowance for doubtful accounts of $2,410 and $2,205, respectively	316,726	667,216
Inventories	6,418	3,848
Prepaid expenses	79,368	41,928
Total current assets	1,126,006	724,795
NONCURRENT ASSETS		
Property and equipment, net	-	1,409
TOTAL ASSETS	$ 1,126,006	$ 726,204

LIABILITIES

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 567,377	$ 306,103
Accrued payroll and expenses	56,835	89,826
Unearned revenue	99,448	22,435
Total current liabilities	723,660	418,364
NET ASSETS		
Unrestricted net assets	402,346	307,840
TOTAL LIABILITIES AND NET ASSETS	$ 1,126,006	$ 726,204

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
REVENUES		
Tourism development revenue	$ 6,988,594	$ 4,480,233
Partnership and membership income	77,916	107,537
Advertising income	5,000	121,510
In-kind income	106,283	100,874
Grant income	175,662	150,033
Merchandise sales	7,774	9,115
Miscellaneous income	33,058	4,319
Total revenues	7,394,287	4,973,621
OPERATING EXPENSES		
Program expenses		
Tourism development	6,874,172	4,606,137
Supporting expenses		
Management and general	425,406	184,629
Total operating expenses	7,299,578	4,790,766
NON-OPERATING EXPENSES		
Loss on disposal of assets	203	11,157
CHANGE IN NET ASSETS	94,506	171,698
NET ASSETS, BEGINNING OF PERIOD	307,840	136,142
NET ASSETS, END OF PERIOD	$ 402,346	$ 307,840

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 94,506	$ 171,698
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on disposal of assets	203	11,157
Bad debt expense	3,064	7,527
Depreciation	1,206	1,713
Decrease (increase) in:		
Accounts receivable	347,426	595
Inventories	(2,570)	181
Prepaid expenses	(37,440)	(17,628)
Increase (decrease) in:		
Accounts payable	261,274	(16,570)
Accrued payroll and expenses	(32,991)	52,975
Unearned revenue	77,013	(2,772)
Net cash provided by operating activities	711,691	208,876
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in cash deficit	-	(197,073)
NET INCREASE IN CASH AND CASH EQUIVALENTS	711,691	11,803
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11,803	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 723,494	$ 11,803

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS

Description of Business
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"). January 1, 2014, was the effective date VPI commenced operations under the agreement with the County and Pensacola Sports Association (PSA). In accordance with this agreement, the revenue passed through PSA and was provided to VPI on a reimbursement basis as VPI incurred expenditures in carrying out its mission. Effective October 1, 2015, the reimbursements no longer passed through PSA and were provided directly to VPI from the County.

The Pensacola Chamber of Commerce ("the Chamber") was the previous administrator of the local option tourist development tax for the County and, effective January 1, 2014, under a Memorandum of Understanding with the Chamber, various assets, liabilities, and contractual commitments of the Chamber related to certain tourism related activities were transferred to VPI.

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, 2016 and 2015, VPI held no temporarily restricted net assets.

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

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, 2016 and 2015, 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.

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 of 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 5-7 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 $41,464 and $40,315 as of September 30, 2016 and 2015, respectively, is included in accrued payroll and expenses. This represents amounts owed to employees under VPI's paid time off policy.

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

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 $15,832 and $9,823 for the years ended September 30, 2016 and 2015, respectively. This amount is recorded as in-kind income and related equipment and building repair in the schedule of functional expenses.

Donated Facilities

VPI occupies space at the 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, 2016 and 2015 to be $90,451. This amount is 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.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation.

Events Occurring After Reporting Date

VPI has evaluated events and transactions that occurred between September 30, 2016, and January 16, 2017, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Tourism development receivable	$ 309,940	$ 431,412
Advertising receivable	5,000	26,250
Partnership dues	3,591	15,726
Other	605	7,362
Grant receivable	-	188,671
	319,136	669,421
Less allowances	(2,410)	(2,205)
Net accounts receivable	$ 316,726	$ 667,216

3. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Equipment	$ 2,541	$ 3,150
Less accumulated depreciation	(2,541)	(1,741)
Net property and equipment	$ -	$ 1,409

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 $578,776 and $233,685 at September 30, 2016 and 2015, 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 Arts, Culture, and Entertainment, Inc. (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 is provided by the County and passed through VPI to ACE, Perdido and PSA on a reimbursement basis. In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, these transactions do not meet the criteria of being an agency transaction and, therefore, are considered transactions of VPI. Thus, the expenses incurred by each entity and reimbursed by VPI are recorded as subrecipient expense in the schedule of functional expenses.

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

	ACE	Perdido	PSA	Total
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	$ 1,141,423	$ 96,789	$ 664,961	$ 1,903,173

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. The matching contributions totaled $10,801 and $7,488 for the years ended September 30, 2016 and 2015, respectively.

SUPPLEMENTARY INFORMATION

VISIT PENSACOLA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Program Services	Supporting Services		
	Tourism	Management & General	2016 Total	2015 Total
Bank and credit card fees	$ -	$ 4,454	$ 4,454	$ 909
Marketing research	430,762	-	430,762	661,394
Advertising	1,694,421	-	1,694,421	1,532,712
Public relations	293,870	-	293,870	204,220
Production	644,001	-	644,001	591,595
Festivals and events	203,709	7,380	211,089	251,187
Promotions	112,452	-	112,452	57,288
Brochures and collateral	114,703	-	114,703	100,661
Advertising agency fees	460,500	-	460,500	150,000
Registration	60,027	-	60,027	35,830
Dues and subscriptions	27,757	-	27,757	23,971
Travel, meals and entertainment	48,685	862	49,547	63,965
Partnership expense	18,886	4,023	22,909	9,822
Equipment and building repair	105,205	29,959	135,164	37,263
Information technology	33,532	9,549	43,081	102,522
Insurance	14,226	4,051	18,277	13,303
Professional services	-	24,741	24,741	41,829
Office supplies	25,523	10,709	36,232	23,625
Postage	82,819	23,584	106,403	47,014
Rent	70,411	20,050	90,461	90,461
Utilities	27,796	7,915	35,711	36,643
Personnel expense	570,905	201,631	772,536	702,914
Miscellaneous expense	-	2,543	2,543	1,872
Sales tax	-	494	494	526
Bad debt expense	-	3,064	3,064	7,527
Depreciation	-	1,206	1,206	1,713
Subrecipient expense - ACE	1,141,423	-	1,141,423	-
Subrecipient expense - Perdido	82,697	14,092	96,789	-
Subrecipient expense - PSA	609,862	55,099	664,961	-
TOTAL OPERATING EXPENSES	$ 6,874,172	$ 425,406	$ 7,299,578	$ 4,790,766

See independent auditors' report