

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Visit Pensacola, Inc. ("VPI") as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered VPI's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VPI's internal control. Accordingly, we do not express an opinion on the effectiveness of VPI's internal control.

However, during our audit we identified the following items for your consideration. This letter does not affect our report dated March 7, 2022, on the financial statements of Visit Pensacola, Inc.

Fiscal Agent Responsibilities

In accordance with the Miscellaneous Appropriations Agreements between the County and VPI (the Agreement), VPI accepts tourism development revenue from the County on behalf of Art, Culture, and Entertainment, Inc. (ACE) and Pensacola Sports Association, Inc. (PSA). As fiscal agent for ACE and PSA, VPI is responsible for administering the funding and ensuring it is spent in accordance with the Agreement.

The Agreement requires tourism development funds to be maintained in a separate bank account. During the audit it came to our attention ACE did not maintain a separate bank account for tourism development funds.

We recommend ACE maintain a separate bank account solely for tourism development funds as required per the Agreement.

The Agreement also requires funding be used in accordance with Florida Statute §125.0104. We noted documentation of subrecipient expenditures could improve to ensure compliance with this criteria and support how the requirement is met. VPI should continue to strengthen its subrecipient policies and procedures by requiring subrecipients to provide documentation evidencing how expenditures were used and that they were effective in achieving their intended, allowable purpose.

We will review the status of these comments during our next audit engagement. We are also available to discuss these in further detail with you, if so desired.

Very truly yours,



Warren Averett, LLC
Pensacola, Florida
March 7, 2022

March 7, 2022

Finance Committee
c/o Visit Pensacola, Inc.
1401 E. Gregory Street
Pensacola, Florida 32502

We have audited the financial statements of Visit Pensacola, Inc. (the "Organization") for the year ended September 30, 2021, and have issued our report thereon dated March 7, 2022. Professional standards require that we provide you with information about our responsibilities under, generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 14, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 7, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have issued a "Management Letter" to the finance committee and board of directors which contains items for consideration with respect to financial and accounting matters noted during the audit.

This information is intended solely for the use of the Finance Committee, Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Warren Averett, LLC". The signature is written in a cursive, flowing style.

Warren Averett, LLC
Pensacola, Florida

VISIT PENSACOLA, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

**VISIT PENSACOLA, INC.
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SEPTEMBER 30, 2021 AND 2020**

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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, 2021 and 2020, and the related statements of activities, functional expenses 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, 2021 and 2020, 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.



Pensacola, Florida
March 7, 2022

VISIT PENSACOLA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 905,230	\$ 1,387,865
Accounts receivable	1,470,411	388,891
Inventories	-	599
Prepaid expenses	159,795	102,880
Total current assets	2,535,436	1,880,235
NONCURRENT ASSETS		
Equipment, net	2,303	3,455
TOTAL ASSETS	\$ 2,537,739	\$ 1,883,690
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,100,385	\$ 639,456
Accrued payroll and expenses	76,530	57,762
Unearned revenue	68,617	66,700
Total current liabilities	1,245,532	763,918
NET ASSETS		
Without donor restrictions	1,292,207	1,119,772
TOTAL LIABILITIES AND NET ASSETS	\$ 2,537,739	\$ 1,883,690

See notes to the financial statements.

**VISIT PENSACOLA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS		
Tourism development revenue	\$ 6,834,804	\$ 6,332,634
Partnership dues and membership income	92,979	98,429
Advertising income	139,750	8,002
In-kind income	146,763	161,274
Grant income	500,000	-
Event income	10,700	14,135
Merchandise sales	89	1,931
Miscellaneous income	2,164	12,212
PPP loan proceeds	<u>203,237</u>	<u>-</u>
Total support and revenue without donor restrictions	7,930,486	6,628,617
OPERATING EXPENSES		
Program expenses		
Tourism development	7,415,418	6,008,054
Supporting expenses		
Management and general	<u>342,633</u>	<u>654,709</u>
Total operating expenses	<u>7,758,051</u>	<u>6,662,763</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	172,435	(34,146)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>1,119,772</u>	<u>1,153,918</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u><u>\$ 1,292,207</u></u>	<u><u>\$ 1,119,772</u></u>

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021		
	Program Services	Supporting Services	
	Tourism	Management & General	Total
Advertising	\$ 2,703,081	\$ -	\$ 2,703,081
Advertising agency fees	680,000	-	680,000
Bad debt expense	-	2,270	2,270
Bank and credit card fees	-	4,334	4,334
Brochures and collateral	111,855	-	111,855
Depreciation	911	241	1,152
Dues and subscriptions	29,778	-	29,778
Equipment and building repair	82,254	23,489	105,743
Festivals and events	246,596	-	246,596
Information technology	20,048	5,284	25,332
In-kind rent	105,001	25,087	130,088
Insurance	20,419	5,380	25,799
Marketing research	316,512	-	316,512
Miscellaneous expense	-	342	342
Office supplies	26,530	7,632	34,162
Partnership expense	46,636	33	46,669
Personnel expense	702,937	185,738	888,675
Postage	13,262	3,495	16,757
Production	451,952	-	451,952
Professional services	21,254	5,601	26,855
Promotions	80,543	-	80,543
Public relations	83,854	-	83,854
Registration	64,046	-	64,046
Sales tax	-	593	593
Subrecipient expense - ACE	944,576	-	944,576
Subrecipient expense - PSA	591,762	63,164	654,926
Travel, meals and entertainment	37,809	1,041	38,850
Utilities	33,802	8,909	42,711
TOTAL OPERATING EXPENSES	\$ 7,415,418	\$ 342,633	\$ 7,758,051

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2020		
	Program Services	Supporting Services	
	Tourism	Management & General	Total
Advertising	\$ 2,191,353	\$ -	\$2,191,353
Advertising agency fees	180,000	-	180,000
Bad debt expense	-	80	80
Bank and credit card fees	-	4,544	4,544
Brochures and collateral	24,187	-	24,187
Depreciation	798	353	1,151
Dues and subscriptions	32,348	-	32,348
Equipment and building repair	90,118	39,574	129,692
Festivals and events	430,283	-	430,283
Information technology	26,677	11,800	38,477
In-kind rent	89,990	40,097	130,087
Insurance	17,455	7,722	25,177
Marketing research	432,395	-	432,395
Miscellaneous expense	-	536	536
Office supplies	28,511	9,149	37,660
Partnership expense	62,797	3,031	65,828
Personnel expense	798,179	355,392	1,153,571
Postage	19,203	8,495	27,698
Production	345,732	-	345,732
Professional services	-	35,140	35,140
Promotions	83,494	-	83,494
Public relations	73,102	-	73,102
Registration	32,176	-	32,176
Sales tax	-	1,275	1,275
Subrecipient expense - ACE	420,400	-	420,400
Subrecipient expense - PSA	558,881	117,952	676,833
Travel, meals and entertainment	38,031	5,438	43,469
Utilities	31,944	14,131	46,075
TOTAL OPERATING EXPENSES	\$6,008,054	\$654,709	\$6,662,763

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 172,435	\$ (34,146)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	2,270	80
Depreciation	1,152	1,151
Forgiveness of PPP loan	(203,237)	-
Decrease (increase) in:		
Accounts receivable	(1,083,790)	1,010,477
Inventories	599	1,118
Prepaid expenses	(56,915)	11,505
Increase (decrease) in:		
Accounts payable	460,929	109,053
Accrued payroll and expenses	18,768	(8,408)
Unearned revenue	1,917	26,065
Net cash provided by (used in) operating activities	<u>(685,872)</u>	<u>1,116,895</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from forgivable loan	<u>203,237</u>	<u>-</u>
Net cash used in investing activities	<u>203,237</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(482,635)	1,116,895
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,387,865</u>	<u>270,970</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 905,230</u></u>	<u><u>\$ 1,387,865</u></u>

See notes to the financial statements.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Visit Pensacola, Inc. ("VPI") was formed in 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.

Basis of Accounting and Presentation

The financial statements of VPI have been prepared on the accrual basis of accounting and in accordance with the accounting principles generally accepted in the United States of America ("US GAAP") which requires that VPI report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as follows:

Net Assets without Donor Restrictions – Net assets available for general use and are not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. VPI did not have any net assets at September 30, 2021 and 2020, where the donor imposed restrictions.

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 within three months of maturity to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at unpaid balances less an allowance for doubtful accounts, if applicable. Management evaluates the status of unpaid accounts and adjusts the allowance as necessary through a provision for bad debt expense. No provision for uncollectible accounts had been established as of September 30, 2021 and 2020, as accounts receivable are considered to be fully collectible.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions, unless their use is limited by donor-imposed restrictions. Under accounting standards, earned revenue measurement is driven via a principles-based process that requires the entity: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Contributed support follows different standards. A summary of each of the revenue and support flows are as follows:

The primary source of revenue is a portion of the local option tourist development tax imposed and collected on short-term lodging by the Escambia County Board of County Commissioners (“the County”). In accordance with the agreement with the County, VPI receives funding on a reimbursement basis from the County as expenditures are incurred in carrying out its mission.

Gifts and grants, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Gifts and grants of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in gift and grant revenue in accordance with the donor-imposed restrictions, if any, on the gifts or grants. Gifts or grants with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

Gifts of property and equipment are recorded as without donor restrictions, unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long lived assets are reported as net assets with donor restrictions. VPI reports expirations of donor restrictions when the donated or acquired long lived asset is placed into service.

Conditional contributions are recorded as revenue when such amounts become unconditional, which generally involves the overcoming of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered to be net assets with donor restrictions until donor stipulations are clarified at which time such are reclassified, if required.

Partnership dues represent revenues from businesses with interests in Escambia County that wish to support VPI’s efforts to promote tourism within Escambia County. Partnership dues are recognized ratably on a monthly basis over the partnership period as the performance obligations are satisfied. Management believes that recognizing revenue over time is the best measure of services rendered based on the length of the partnership. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the length of the partnership.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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

Inventories

Inventories consist primarily of souvenirs and promotional goods, including maps, brochures and postcards and are valued at estimated cost.

Equipment

VPI capitalizes all expenditures in excess of \$1,000 for equipment at cost. Repairs and maintenance expenses are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Equipment is depreciated over 5 to 7 years.

Donated Assets and Use of Facilities

Donated equipment and other noncash donations are valued at estimated fair value at the date of donation. VPI uses certain equipment 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 estimated fair market value of the use of these assets is recorded as in-kind income and related equipment and building repairs in the statements of functional expenses. Effective July 2020, VPI occupies space at the Pensacola Visitor Information Center under a lease agreement with the City of Pensacola for \$10 annually. The lease term is 15 years unless otherwise terminated pursuant to the agreement. The estimated fair value of the use of these facilities are recorded as in-kind income and rent expense in the statements of functional expenses.

Unearned Revenue

Unearned revenue consists of partnership dues and advertising income, which were received in advance. The revenue will be recognized over the terms of the partnerships or once the advertisement occurs.

Compensated Absences

The liability for compensated absences of \$44,913 and \$29,271 as of September 30, 2021 and 2020, respectively, is included in accrued payroll and expenses. This represents amounts owed to employees under VPI's paid time off policy.

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 based on time and effort or occupancy costs.

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.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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

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 its exempt purposes. VPI is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

Subsequent Events

VPI has evaluated events and transactions that occurred between September 30, 2021 and March 7, 2022, 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, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Tourism development tax receivable	\$ 1,465,730	\$ 379,852
Partnership dues	4,461	3,070
Other	<u>220</u>	<u>5,969</u>
Accounts receivable	<u><u>\$ 1,470,411</u></u>	<u><u>\$ 388,891</u></u>

3. LINE OF CREDIT

VPI has a revolving line of credit with Regions Bank in the amount of \$500,000. The interest rate is LIBOR plus 0.50%. The line of credit matures on October 15, 2021, and is secured by inventory, accounts, equipment, general intangibles and fixtures. At September 30, 2021 and 2020, there was no outstanding balance on the line of credit.

4. PAYCHECK PROTECTION PROGRAM LOAN

In February 2021, VPI obtained a loan (the Loan) from Regions Bank in the amount of \$203,237 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the PPP, up to 100% of the loan and related interest may be forgiven if the proceeds are used for covered expenses, and certain other requirements related to wage rates and maintenance of full-time equivalents are met. VPI applied for forgiveness and received forgiveness of \$203,237 from the Small Business Administration (SBA) in November 2021.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

5. GRANT INCOME

During the year ended September 30, 2021, VPI received \$500,000 in CARES Act Coronavirus Relief Funds from the County. Under the terms of the CARES Agreement, the County reimbursed VPI \$500,000 for CARES Act eligible expenses incurred through December 30, 2020.

6. LIQUIDITY AND AVAILABILITY

VPI regularly monitors liquidity to meet its operating needs and other contractual commitments. VPI has various sources of liquidity at its disposal including cash, receivables and line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, VPI considers all expenditures related to its ongoing activities of its mission, as well as the conduct of services undertaken to support those activities to be general expenditures.

As of September 30, 2021 and 2020, the following table shows the total financial assets held by VPI and the amounts of those financial assets available within one year of the date of the statement of financial position to meet general expenditures.

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 905,230	\$ 1,387,865
Accounts receivable	<u>1,470,411</u>	<u>388,891</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,375,641</u>	<u>\$ 1,776,756</u>

7. 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 a financial institution, which at times, may exceed federally insured limits. The balances held with the 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 \$1,232,879 and \$1,196,276 at September 30, 2021 and 2020, respectively. VPI has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

**VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

8. SUBRECIPIENT EXPENSE

VPI is the fiscal agent for ACE and Pensacola Sports Association, Inc. (PSA). In accordance with the Miscellaneous Appropriations Agreements between the County and VPI (the Agreement), VPI accepts tourism development revenue from the County on behalf of PSA and ACE. As fiscal agent for ACE and PSA, VPI is responsible for administering the funding and ensuring it is spent in accordance with the Agreement.

In accordance with GAAP, this arrangement does not meet the criteria of being an agency transaction; therefore, the expenses incurred by each entity and reimbursed by VPI are recorded as subrecipient expense in the statements of functional expenses.

Subrecipient expenses for the year ended September 30, 2021, consisted of the following:

	<u>ACE</u>	<u>PSA</u>	<u>Total</u>
Direct programming expense	\$ 944,576	\$ 352,084	\$ 1,296,660
Operations expense	-	59,252	59,252
Personnel expense	-	243,590	243,590
Total subrecipient expense	<u>\$ 944,576</u>	<u>\$ 654,926</u>	<u>\$ 1,599,502</u>

Subrecipient expenses for the year ended **September 30, 2020**, consisted of the following:

	<u>ACE</u>	<u>PSA</u>	<u>Total</u>
Direct programming expense	\$ 420,400	\$ 292,234	\$ 712,634
Operations expense	-	67,067	67,067
Personnel expense	-	317,532	317,532
Total subrecipient expense	<u>\$ 420,400</u>	<u>\$ 676,833</u>	<u>\$ 1,097,233</u>

9. 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.

10. 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 6% of compensation for each payroll period. The matching contributions totaled \$21,833 and \$22,653 for the years ended September 30, 2021 and 2020, respectively.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

11. SUBSEQUENT EVENTS

VPI renewed its \$500,000 revolving line of credit with Regions Bank. The interest rate is LIBOR plus 0.50%. The line of credit matures on October 15, 2022, and is secured by inventory, accounts, equipment, general intangibles and fixtures. VPI borrowed \$450,000 from the line of credit on October 12, 2021 and was fully repaid on November 23, 2021.

On February 28, 2022, VPI returned \$203,237 to the County for payroll costs funded by the PPP Loan.