

VISIT PENSACOLA, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

**VISIT PENSACOLA, INC.
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SEPTEMBER 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Visit Pensacola, Inc. (a 501(c)(6) nonprofit organization, hereinafter referred to as VPI), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VPI as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VPI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VPI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VPI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VPI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Warren Averett, LLC

Pensacola, Florida
May 12, 2023

VISIT PENSACOLA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

ASSETS		
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 885,086	\$ 905,230
Accounts receivable	1,870,715	1,470,411
Prepaid expenses	<u>99,556</u>	<u>159,795</u>
Total current assets	2,855,357	2,535,436
NONCURRENT ASSETS		
Equipment, net	<u>1,152</u>	<u>2,303</u>
TOTAL ASSETS	<u><u>\$ 2,856,509</u></u>	<u><u>\$ 2,537,739</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,260,691	\$ 1,100,385
Accrued payroll and expenses	94,842	76,530
Unearned revenue	<u>62,958</u>	<u>68,617</u>
Total current liabilities	1,418,491	1,245,532
NET ASSETS		
Without donor restrictions	<u>1,438,018</u>	<u>1,292,207</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,856,509</u></u>	<u><u>\$ 2,537,739</u></u>

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS		
Tourism development revenue	\$ 11,052,864	\$ 6,834,804
Partnership dues	111,205	92,979
Advertising income	156,427	139,750
In-kind income	175,573	146,763
Grant income	-	500,000
Event income	17,377	10,700
Merchandise sales	146	89
Miscellaneous income	3,418	2,164
PPP loan proceeds	-	203,237
Total support and revenue without donor restrictions	<u>11,517,010</u>	<u>7,930,486</u>
OPERATING EXPENSES		
Program expenses		
Tourism development	10,989,820	7,415,418
Supporting expenses		
Management and general	<u>381,379</u>	<u>342,633</u>
Total operating expenses	<u>11,371,199</u>	<u>7,758,051</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	145,811	172,435
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>1,292,207</u>	<u>1,119,772</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u><u>\$ 1,438,018</u></u>	<u><u>\$ 1,292,207</u></u>

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	Program Services	Supporting Services	
	Tourism	Management and General	Total
Advertising	\$ 5,325,450	\$ -	\$ 5,325,450
Advertising agency fees	180,000	-	180,000
Bad debt expense	-	2,451	2,451
Bank and credit card fees	-	6,336	6,336
Brochures and collateral	156,299	-	156,299
Depreciation	961	190	1,151
Dues and subscriptions	30,513	-	30,513
Equipment and building repair	118,127	22,240	140,367
Festivals and events	359,595	-	359,595
Information technology	26,320	5,192	31,512
In-kind rent	118,727	24,480	143,207
Insurance	27,680	5,460	33,140
Marketing research	346,102	-	346,102
Miscellaneous expense	-	2,304	2,304
Office supplies	33,280	6,611	39,891
Partnership expense	85,419	45	85,464
Personnel expense	805,907	212,945	1,018,852
Postage	26,622	5,251	31,873
Production	543,080	-	543,080
Professional services	25,694	5,068	30,762
Promotions	220,616	-	220,616
Public relations	80,564	-	80,564
Registration	112,769	-	112,769
Sales tax	-	1,419	1,419
Subrecipient expense – ACE	1,250,000	-	1,250,000
Subrecipient expense – PSA	987,159	72,419	1,059,578
Travel, meals and entertainment	87,524	800	88,324
Utilities	41,412	8,168	49,580
TOTAL OPERATING EXPENSES	\$ 10,989,820	\$ 381,379	\$ 11,371,199

See notes to the financial statements.

VISIT PENSACOLA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022 AND 2021

	Program Services	Supporting Services	
	Tourism	Management and 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 CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 145,811	\$ 172,435
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	2,451	2,270
Depreciation	1,151	1,152
Forgiveness of PPP loan	-	(203,237)
Decrease (increase) in:		
Accounts receivable	(402,755)	(1,083,790)
Inventories	-	599
Prepaid expenses	60,239	(56,915)
Increase (decrease) in:		
Accounts payable	160,306	460,929
Accrued payroll and expenses	18,312	18,768
Unearned revenue	(5,659)	1,917
Net cash used in operating activities	<u>(20,144)</u>	<u>(685,872)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from forgivable loan	<u>-</u>	<u>203,237</u>
Net cash provided by financing activities	<u>-</u>	<u>203,237</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,144)	(482,635)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>905,230</u>	<u>1,387,865</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 885,086</u></u>	<u><u>\$ 905,230</u></u>

See notes to the financial statements.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 the tourism industry in Escambia County, Florida, 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 require 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 that are available for general use and 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 and 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, 2022 and 2021, where the donor imposed restrictions.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with US 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, 2022 and 2021, as accounts receivable are considered to be fully collectible.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 donor 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, 2022 AND 2021

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 costs 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 five to seven 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 \$59,229 and \$44,913 as of September 30, 2022 and 2021, respectively, is included in accrued payroll and expenses in the statement of financial position. 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, 2022 AND 2021

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

Income Taxes

The Internal Revenue Service has granted VPI exemption 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 US GAAP.

Subsequent Events

VPI has evaluated events and transactions that occurred between September 30, 2022, and May 12, 2023, 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, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Tourism development tax receivable	\$ 1,870,635	\$ 1,465,730
Partnership dues	-	4,461
Other	<u>80</u>	<u>220</u>
Accounts receivable	<u><u>\$ 1,870,715</u></u>	<u><u>\$ 1,470,411</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 Prime plus 0.50%, with a floor of 4.75%. The line of credit matures on October 15, 2022, and is secured by inventory, accounts, equipment, general intangibles and fixtures. At September 30, 2022 and 2021, there was no outstanding balance on the line of credit.

In October 2022, the line of credit was renewed through October 15, 2023. VPI borrowed \$300,000 from the line of credit in October 2022, which was fully repaid in December 2022.

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) on November 2021.

VISIT PENSACOLA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 a 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.

The following table shows the total financial assets held by VPI as of September 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 885,086	\$ 905,230
Accounts receivable	<u>1,870,715</u>	<u>1,470,411</u>
Total financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 2,755,801</u></u>	<u><u>\$ 2,375,641</u></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 \$808,594 and \$1,232,879 at September 30, 2022 and 2021, 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, 2022 AND 2021

8. SUBRECIPIENT EXPENSE

VPI is the fiscal agent for Art, Culture and Entertainment, Inc. (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 ACE and 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.

In accordance with US 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, 2022, consisted of the following:

	ACE	PSA	Total
Direct programming expense	\$ 1,250,000	\$ 620,009	\$ 1,870,009
Operations expense	-	88,335	88,335
Personnel expense	-	351,234	351,234
Total subrecipient expense	<u>\$ 1,250,000</u>	<u>\$ 1,059,578</u>	<u>\$ 2,309,578</u>

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

	ACE	PSA	Total
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>

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 \$28,231 and \$21,833 for the years ended September 30, 2022 and 2021, respectively.