

**JACKSONVILLE AND THE BEACHES CONVENTION
& VISITORS BUREAU, INC.**

CITY OF JACKSONVILLE CONTRACT FUND

FINANCIAL STATEMENTS

September 30, 2022



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Jacksonville, Florida

Opinion

We have audited the accompanying financial statements of the City of Jacksonville Contract Fund, a component of Jacksonville and the Beaches Convention & Visitors Bureau, Inc. DBA Visit Jacksonville (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 the City of Jacksonville Contract Fund, a component of Jacksonville and the Beaches Convention & Visitors Bureau, Inc. DBA Visit Jacksonville as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jacksonville and the Beaches Convention & Visitors Bureau, Inc. DBA Visit Jacksonville and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the City of Jacksonville Contract Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
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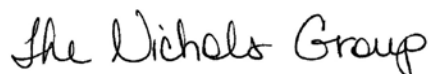
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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 City of Jacksonville Contract Fund'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 City of Jacksonville Contract Fund'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.



The Nichols Group, P.A.
Certified Public Accountants
Fleming Island, Florida

January 13, 2023

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Statement of Financial Position
September 30, 2022

ASSETS

Current assets:	
Cash and cash equivalents	\$ 228,376
Accounts receivable contract funds	764,853
Prepays	<u>1,626</u>
Total current assets	<u>994,855</u>
TOTAL ASSETS	<u><u>\$ 994,855</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 5,000
Accrued expenses and other liabilities	69,792
Accrued payroll and compensated absences	100,789
Due to TDC	<u>824,364</u>
Total current liabilities	<u>999,945</u>
Net assets (deficits):	
Without donor restrictions	<u>(5,090)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 994,855</u></u>

See accountant's report and accompanying notes.

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Statement of Activities
For the Year Ended September 30, 2022

SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS

TDC contract	\$ 5,070,025
Other revenue	<u>33,569</u>
Total support and revenues without donor restrictions	<u>5,103,594</u>

EXPENSES WITHOUT DONOR RESTRICTIONS

Program services:	
Convention Sales and Services	1,285,101
Marketing	2,282,128
Tourist Bureau	520,286
Sports Initiatives	<u>43,143</u>
Total program services	<u>4,130,658</u>

Management and general:	
Convention Sales and Services	427,759
Marketing	507,343
Tourist Bureau	<u>59,688</u>
Total management and general	<u>994,790</u>

Total expenses without donor restrictions	<u>5,125,448</u>
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DECREASE IN NET ASSETS	(21,854)
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NET ASSETS, BEGINNING OF YEAR	<u>16,764</u>
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NET ASSETS (DEFICITS), END OF YEAR	<u>\$ (5,090)</u>
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See accountant's report and accompanying notes.

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Statement of Functional Expenses
For the Year Ended September 30, 2022

	<u>Program services</u>	<u>Management & general</u>	<u>Total</u>
Convention Sales and Services:			
Salaries and benefits	\$ 717,809	\$ -	\$ 717,809
Overhead costs - Visit Jacksonville Administration	-	427,759	427,759
Promotion to tourist groups	194,057	-	194,057
Convention marketing targeting	29,940	-	29,940
Convention sales activities	274,281	-	274,281
Convention services activity	<u>69,014</u>	<u>-</u>	<u>69,014</u>
Total Convention Sales and Services	<u>1,285,101</u>	<u>427,759</u>	<u>1,712,860</u>
Marketing:			
Salaries and benefits	512,401	-	512,401
Overhead costs - Visit Jacksonville Administration	-	507,343	507,343
Advertising - name branding	1,260,484	-	1,260,484
Marketing services	476,956	-	476,956
Marketing and communication travel	<u>32,287</u>	<u>-</u>	<u>32,287</u>
Total Marketing	<u>2,282,128</u>	<u>507,343</u>	<u>2,789,471</u>
Tourist Bureau:			
Salaries and benefits	287,719	-	287,719
Overhead costs - Visit Jacksonville Administration	-	59,688	59,688
Visitor center operations	138,015	-	138,015
Comprehensive listings/tourist bureau/assembly of information	<u>94,552</u>	<u>-</u>	<u>94,552</u>
Total Tourist Bureau	<u>520,286</u>	<u>59,688</u>	<u>579,974</u>
Sports Initiatives:			
Sports sales activity	<u>43,143</u>	<u>-</u>	<u>43,143</u>
Total expenses	<u>\$4,130,658</u>	<u>\$ 994,790</u>	<u>\$5,125,448</u>

See accountant's report and accompanying notes.

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Statement of Cash Flows
For the Year Ended September 30, 2022

Cash flows from operating activities:	
Decrease in net assets	\$ (21,854)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	(46,608)
Employee Retention Credit receivable	90,619
Prepays	(245)
Increase (decrease) in operating liabilities:	
Accounts payable	(599,013)
Accrued expenses and other liabilities	2,445
Accrued payroll and compensated absences	9,140
Due to City of Jacksonville - TDC	<u>(102,082)</u>
Net cash used in operating activities	<u>(667,598)</u>
Net decrease in cash and cash equivalents	(667,598)
Cash and cash equivalents at beginning of year	<u>895,974</u>
Cash and cash equivalents at end of year	<u><u>\$ 228,376</u></u>

See accountant's report and accompanying notes.

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Notes to Financial Statements
September 30, 2022

NOTE 1 NATURE OF BUSINESS

Nature of Activities

Jacksonville and the Beaches Convention & Visitors Bureau, Inc. DBA Visit Jacksonville (the Organization) primarily performs convention, promotion, and tourist development activities under contract with the City of Jacksonville (the City). The Organization was formed by, and its Board of Directors is made up of, representatives of the hospitality and business communities in Greater Jacksonville, Florida. The Organization operates under the name Visit Jacksonville. The Organization's viability is dependent on the contracts with the City.

The financial statements include the accounts of the City of Jacksonville Contract Fund only and do not include the accounts of the Partner Development Fund of the Organization, as the partnership program and associated revenues and expenses of the endeavor ended in 2017.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and are in accordance with generally accepted accounting principles for not-for-profit organizations.

Net assets and changes therein are reported as being with or without donor restrictions. Revenues are reported as increases in net assets without donor restrictions, unless their use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions and classified as either relating to program services or support activities.

All donor-imposed restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Contributions received with donor-imposed restrictions which are met in the same year as received are reported as net assets without donor restrictions.

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Notes to Financial Statements
September 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Organization's financial statements are prepared in accordance with FASB ASC 958-605, *Revenue Recognition*. Under ASC 958-605, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; net assets with donor restrictions, which represents resources restricted by donors as to purpose, passage of time, or endowment funds, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization presently has no endowment funds.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

All receivables are reported at their realizable value and are considered by the Board of Directors to be fully collectable.

Property and Equipment

Certain property and equipment are purchased with funds from the City of Jacksonville. Title remains with the City with respect to these assets; however, through an agreement, these assets are to be used by the Organization indefinitely or until such time as the Organization ceases to exist. These assets have not been capitalized on the financial statements of the Organization. The following is a summary of assets purchased with City funds during the year ended September 30, 2022:

Office furniture, fixtures, and equipment	\$ 28,715
Kiosks	15,808
Photo booth	4,810
Solar panels and lighting	11,019
Visitor Center window display	172,019
	\$ 232,371

Income Taxes

The Organization is recognized by the Internal Revenue Service as not-for-profit under Section 501(c)(6) of the Internal Revenue Code and is, therefore, exempt from income taxes. Therefore, no provision has been made for income taxes in the accompanying financial statements.

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Notes to Financial Statements
September 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Organization has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Organization has evaluated its uncertain tax positions and related income tax contingencies for the year ended September 30, 2022 and determined they have no material uncertain tax positions to be accounted for in the financial statements. The federal income tax returns of the Organization for 2021, 2020, and 2019 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. Penalties and interest assessed by income taxing authorities, if any, are included in operating expenses.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, receivables, other assets, payables and accrued expenses approximate fair value due to the short maturity of these instruments.

Support and Revenue – Agreement with City of Jacksonville

Under the agreement with the City, expenses are reimbursable upon disbursement of funds. As the Organization recognizes revenue when billed, to ensure proper matching of revenue and expenses, disbursements associated with the contract are recorded in the period that they are paid.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation

The costs of providing program and management activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Date of Management's Review

The Organization has evaluated subsequent events through January 13, 2023, the date which the financial statements were available to be issued.

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Notes to Financial Statements
September 30, 2022

NOTE 3 COMPENSATED ABSENCES

Effective January 1, 2019, employees hired on or after January 1, 2015 are allowed to carry forward a maximum of 5 vacation days to the next fiscal year. The amounts of accrued compensated absences as of September 30, 2022 was \$35,312.

NOTE 4 LINE OF CREDIT

The Organization has a \$250,000 line for credit with Truist bank. The line of credit is secured by the contract receivables between the Organization and the City of Jacksonville. Interest on any outstanding balance is payable monthly at the Bank's Prime Rate plus 1%. As of September 30, 2022, there was no outstanding balance on the line of credit.

NOTE 5 AGREEMENTS WITH THE CITY OF JACKSONVILLE

The Organization has entered into contracts with the City of Jacksonville (City) to provide the City with professional services. On October 1, 2022, the contracts were renewed for 10 years through September 30, 2032.

Under the agreements, the Organization provides advertising, marketing, and promotional services as requested by the City's Tourist Development Council. Specific objectives include the following:

- Promote and advertise the convention facilities that are presently available in the City (including available public accommodations), and attract conventions, exhibitions, trade shows, expositions, sports events, and similar functions to the City.
- Advertise and promote the present tourist-oriented facilities and attractions within the City on a state, national and international basis, identify potential or underdeveloped tourist attractions in the City, and plan for the expansion of tourism and tourist-oriented facilities.

The City agrees to pay the Organization compensation in the form of reimbursement payments. Annual budgets have been established prior to the beginning of the fiscal period. Certain record keeping, reporting and insurance coverage requirements are conditions of the contract.

Accounts receivable contract funds at September 30, 2022 were \$764,853, representing balances earned during the year but not collected until subsequent to year end from the City of Jacksonville.

Due to TDC at September 30, 2022 was \$824,364, consisting of advances and overpayments that are due to the City of Jacksonville.

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Notes to Financial Statements
September 30, 2022

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2022, there were no donor restricted net assets.

NOTE 7 MINIMUM LEASE COMMITMENTS

The Organization entered into various non-cancelable operating lease and sublease agreements for the rental of office space and office equipment. Minimum lease payments, on an annual basis, are as follows:

<u>Year ending September 30</u>	<u>Equipment</u>	<u>Office Space</u>	<u>Total</u>
2023	\$ 6,843	\$ 171,409	\$ 178,252
2024	6,843	175,694	182,537
2025	6,843	180,130	186,973
2026	-	184,655	184,655
2027	-	15,643	15,643
	<u>\$ 20,529</u>	<u>\$ 727,531</u>	<u>\$ 748,060</u>

Lease expense for the year ended September 30, 2022 was \$186,214.

NOTE 8 CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at a financial institution located in Jacksonville, which may at times exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each institution are insured by the FDIC up to \$250,000. As of September 30, 2022, the total balance in the accounts exceeded the insured limit by \$684,303. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

NOTE 9 PROFIT SHARING PLAN

The Organization sponsors a discretionary profit-sharing plan (the Plan). The Plan covers all employees over 21 years old. Under the Plan, both Pre-tax and Roth Elective Deferral Contributions are allowed. Matching contributions amounted to \$38,652 for the year ended September 30, 2022.

Jacksonville and the Beaches Convention & Visitors Bureau, Inc.
DBA Visit Jacksonville
City of Jacksonville Contract Fund
Notes to Financial Statements
September 30, 2022

NOTE 10 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of September 30, 2022, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Cash and cash equivalents	\$ 228,376	
Accounts receivable contract funds	739,156	
Financial assets at year-end	967,532	
Contractual or donor-imposed restrictions	-	
Financial assets available to meet cash needs for general expenditures within one year	\$ 967,532	

NOTE 11 PPP LOAN

The Organization had an unsecured note payable, guaranteed through the U.S. Small Business Administration through the Paycheck Protection Program (the “PPP”), which accrued interest at a fixed rate of interest of 1.00% and was eligible for loan forgiveness in accordance with the PPP agreement. The \$367,600 outstanding balance of this loan was forgiven by the SBA during prior fiscal year. While the PPP loan was secured in the name of Visit Jacksonville, all expenses paid with the PPP funding were covered by the Tourist Development Council (TDC) in the form of expense reimbursement requests. This resulted in the PPP funding being due back to the TDC with an agreement that future budgets may be increased with the additional dollars. Accordingly, as of September 30, 2022, the PPP forgiveness is properly included in the \$824,364 Due to TDC liability on the statement of financial position.

NOTE 12 RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires entities to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. The requirements of this statement are effective for the Organization for the year ending September 30, 2023. The Organization is currently evaluating the impact of ASU 2016-02, if any, may have on its financial statements.