

Dallas Tourism Public Improvement District Corporation

Independent Auditor's Report and Financial Statements

September 30, 2018 and 2017



Dallas Tourism Public Improvement District Corporation
September 30, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Dallas Tourism Public Improvement District Corporation
Dallas, Texas

We have audited the accompanying financial statements of Dallas Tourism Public Improvement District Corporation (Organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year 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.

Auditor's 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 auditor's 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 the Organization as of September 30, 2018, 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.

Prior Year Audited by Other Auditors

The fiscal year 2017 financial statements were audited by other auditors, and their report thereon, dated January 23, 2018, expressed an unmodified opinion.

BKD, LLP

Dallas, Texas
January 30, 2019

Dallas Tourism Public Improvement District Corporation
Statements of Financial Position
September 30, 2018 and 2017

Assets	<u>2018</u>	<u>2017</u>
Special assessment fee receivable	\$ 1,107,139	\$ 1,086,903
Total assets	<u>\$ 1,107,139</u>	<u>\$ 1,086,903</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable - VisitDallas contract	\$ 1,104,139	\$ 1,083,903
Accrued liabilities	<u>3,000</u>	<u>3,000</u>
Total liabilities	<u>1,107,139</u>	<u>1,086,903</u>
Commitments	-	-
Unrestricted net assets	<u>-</u>	<u>-</u>
Total net assets	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,107,139</u>	<u>\$ 1,086,903</u>

Dallas Tourism Public Improvement District Corporation

Statements of Activities

Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue and Other Support		
Tourism Public Improvement District assessment	\$ 16,550,029	\$ 14,926,959
Total revenue and other support	<u>16,550,029</u>	<u>14,926,959</u>
Expenses		
Program Services:		
Distributions to VisitDallas	<u>16,514,029</u>	<u>14,890,959</u>
Total program services	<u>16,514,029</u>	<u>14,890,959</u>
Supporting Services:		
Collection fees	<u>36,000</u>	<u>36,000</u>
Total expenses	<u>16,550,029</u>	<u>14,926,959</u>
Change in Net Assets	-	-
Unrestricted Net Assets, Beginning of Year	<u>-</u>	<u>-</u>
Unrestricted Net Assets, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Dallas Tourism Public Improvement District Corporation
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ -	\$ -
(Increase) decrease in operating assets:		
Special assessment fee receivable	(20,236)	89,385
Increase (decrease) in operating liabilities:		
Accounts payable - VisitDallas contract	20,236	(89,385)
Net Cash Provided by Operating Activities	-	-
Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	\$ -	\$ -

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

September 30, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Dallas Tourism Public Improvement District Corporation (Organization) was incorporated on July 2, 2012, as a Texas nonprofit corporation. The Organization is funded by an assessment of a fee of two percent of room rental rates by certain hotels with greater than 100 rooms in Dallas. The fees are remitted to the City of Dallas (City) by the hotels and then by the City to Dallas Convention & Visitors Bureau dba VisitDallas (VisitDallas) to implement the funded activities of the Organization, which was formed by resolution of the City under Chapter 372 of the Texas Local Government Code. The Organization is governed by a Board of Directors consisting of and elected by members of the Organization.

On August 1, 2012, the Organization and VisitDallas entered into a contract with a term of 60 months for the provision of various services by VisitDallas to promote visitation and hotel activity through increased convention, group and leisure travel.

On July 30, 2017, the contract between the Organization and VisitDallas was extended by a term of 14 months. In connection with the formation of the Organization, a special assessment fee was approved for its members, hotels with more than 100 rooms subject to the City's hotel occupancy tax, at a rate of 2% of room rental amounts. These assessments, which are presently the only source of revenue for the Organization, are remitted to the City Controller's Office and then directly to VisitDallas from the City to fund the services under the contract mentioned above between the Organization and VisitDallas.

On October 1, 2018, the contract between the Organization and VisitDallas was extended by a term of 132 months.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. This category of net assets includes any amounts appropriated by the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets at September 30, 2018 and 2017.

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

September 30, 2018 and 2017

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets at September 30, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Special Assessment Fee Receivable

Under the provisions for the District the assessed fees, which are 2% of the room rate per night in hotels with more than 100 rooms and subject to the City's hotel occupancy tax, are collected by the hotels and remitted to the City within 15 days following the end of the month when they were collected. Revenue from these fees is recognized when they are determinable and available to the Organization.

No allowances for the receivable amounts are deemed necessary as the receivable amount is based on the actual amount known to be remitted by the City subsequent to year end.

Income Taxes

The Organization is exempt from income taxes under Section 501(c) (6) of the Internal Revenue Code. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Forum files tax returns in the U.S. federal jurisdiction.

Note 2: Funds Held by VisitDallas for Future Organization Expenditures

VisitDallas maintains separate bank accounts for Organization funds, as required by the services contract between the two entities. VisitDallas maintains the accounts in financial institutions located in Dallas, Texas, which at times may exceed federally insured limits. The Organization has not incurred any losses in these accounts held by VisitDallas and does not believe that they are exposed to any significant credit risk.

Dallas Tourism Public Improvement District Corporation
Notes to Financial Statements
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The following is a summary of the separate bank account activity for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Cash at October 1,	\$ 20,702,318	\$ 17,508,221
Net advance of Organization restricted cash for special event trust fund expenses	(2,305,234)	-
Cash collections	16,493,793	14,980,344
Less: Organization expenditures	<u>(14,083,804)</u>	<u>(11,786,247)</u>
Restricted cash held by VisitDallas at end of year	<u>\$ 20,807,073</u>	<u>\$ 20,702,318</u>

The following is a summary of revenue, expenses and changes in the fund balance of the service contract derived from the audited financial statements of VisitDallas for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Support and Revenue		
Tourism Public Improvement District fee	<u>\$ 16,514,029</u>	<u>\$ 14,890,959</u>
Total support and revenue	<u>16,514,029</u>	<u>14,890,959</u>
Expenses		
Sales incentives, efforts and events	4,128,592	3,166,438
Staff travel and entertainment	-	311
Non-staff travel and entertainment	596,039	992,712
Marketing efforts	5,090,858	4,585,374
Dallas Convention Center capital improvements	500,000	500,000
Operating costs	1,634,708	968,407
Application pools and reserves	<u>2,133,607</u>	<u>1,573,005</u>
Total expenses	<u>14,083,804</u>	<u>11,786,247</u>
Change in Fund Balance	2,430,225	3,104,712
Fund Balance, Beginning of Year	<u>21,786,221</u>	<u>18,681,509</u>
Fund Balance, End of Year	<u>\$ 24,216,446</u>	<u>\$ 21,786,221</u>

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September 30, 2018 and 2017

Note 3: City of Dallas Contract

On August 10, 2016, the Organization has entered into a contract with the City for convention facility promotion, advertising and tourism development with a thirteen-year term until September 30, 2029, at the estimated annual amounts from \$16.5 million to \$29.7 million annually for a total of approximately \$293 million (based on 2.0% assessment attached to hotel stays that are subject to the City's hotel occupancy tax at hotels with 100 or more rooms). The contract does not contain a provision for renewal.

The contract coincides with the existence of the District, as set forth by its members in the creating petition and application. The City or the Organization may terminate the contract for cause subject to required timely written notice. Furthermore, the contract is subject to review and audit by the City. Such audits could result in a request for reimbursement by the City or termination of the contract.

Note 4: Concentrations

The Organization received 100% of its total support and revenue from the special assessment fees during the years ended September 30, 2018 and 2017, via hotel/motel occupancy assessment. The City represents 100% of the accounts receivable balance as of September 30, 2018 and 2017. The Organization hired VisitDallas to implement the projects as budgeted and approved by the District's Board of Directors which represents 99% of expenses paid as recorded in the statements of activities and changes in net assets.

Note 5: Subsequent Events

Subsequent events have been evaluated through January 30, 2019, which is the date the financial statements were available to be issued.