

**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

Financial Statements
with Additional Information
Years Ended June 30, 2018 and 2017
and
Independent Auditors' Report



**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

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J. W. Hunt and Company

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members
of Hilton Head Island - Bluffton
Chamber of Commerce

We have audited the accompanying financial statements of Hilton Head Island - Bluffton Chamber of Commerce, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Hilton Head Island - Bluffton Chamber of Commerce, as of June 30, 2018 and 2017, 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.

J.W. Hunt and Company, LLP.

September 7, 2018

**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ 595,329	\$ 1,347,870
Accounts receivable	45,011	37,176
Less, allowance for uncollectible accounts	(5,449)	(708)
Prepaid expenses	104,497	96,179
Other	<u>9,293</u>	<u>9,320</u>
Total current assets	748,681	1,489,837
Property and equipment - net	<u>896,855</u>	<u>929,662</u>
Total assets	<u><u>\$ 1,645,536</u></u>	<u><u>\$ 2,419,499</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 417,643	\$ 264,256
Deferred revenue	473,672	779,137
Current portion of long-term debt	-	61,116
Other liabilities	<u>129,735</u>	<u>135,981</u>
Total current liabilities	1,021,050	1,240,490
Long-term liabilities:		
Long-term debt, less current portion	<u>-</u>	<u>435,020</u>
Total liabilities	<u>1,021,050</u>	<u>1,675,510</u>
Unrestricted net assets	<u>624,486</u>	<u>743,989</u>
Total liabilities and net assets	<u><u>\$ 1,645,536</u></u>	<u><u>\$ 2,419,499</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

STATEMENTS OF ACTIVITIES, YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Unrestricted revenues and other support:		
Visitor and Convention Bureau projects	\$ 5,822,885	\$ 5,465,055
Membership dues	695,460	711,602
Membership projects	926,817	882,909
Brochure advertising	276,905	247,509
Building rent and common share	1,200	119,294
Interest income	5,461	6,139
	<u>7,728,728</u>	<u>7,432,508</u>
Total unrestricted revenues and other support		
Expenses:		
Visitor and Convention Bureau	4,557,790	4,247,564
Salaries and related benefits	2,331,911	2,159,792
General and administrative	336,525	371,492
Membership projects	398,196	397,235
Bluffton Office	37,060	29,095
Depreciation	71,641	72,469
Building	83,755	108,322
Interest	31,353	35,298
	<u>7,848,231</u>	<u>7,421,267</u>
Total expenses		
Change in unrestricted net assets	(119,503)	11,241
Unrestricted net assets at beginning of year	<u>743,989</u>	<u>732,748</u>
Unrestricted net assets at end of year	<u>\$ 624,486</u>	<u>\$ 743,989</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

STATEMENTS OF CASH FLOWS, YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ (119,503)	\$ 11,241
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	71,641	72,469
Changes in assets and liabilities:		
Increase in accounts receivable	(3,094)	(11,025)
Increase in prepaid expenses and other assets	(8,291)	(4,730)
Increase (decrease) in accounts payable	153,387	(64,162)
Increase (decrease) in other liabilities	(6,246)	13,124
Increase (decrease) in deferred revenue	<u>(305,465)</u>	<u>25,390</u>
Net cash provided (used) by operating activities	<u>(217,571)</u>	<u>42,307</u>
Cash flows from investing activities:		
Purchase of property and equipment	(7,299)	(33,275)
Purchase of building	(31,535)	
Purchase of capital improvements	<u>-</u>	<u>(42,928)</u>
Net cash used by investing activities	<u>(38,834)</u>	<u>(76,203)</u>
Cash flows from financing activities:		
Principal payments on notes payable	<u>(496,136)</u>	<u>(57,171)</u>
Net cash used by financing activities	<u>(496,136)</u>	<u>(57,171)</u>
Net decrease in cash	(752,541)	(91,067)
Cash at beginning year	<u>1,347,870</u>	<u>1,438,937</u>
Cash at end of year	<u>\$ 595,329</u>	<u>\$ 1,347,870</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 31,353</u>	<u>\$ 35,298</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2018 AND 2017

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES:**

The Hilton Head Island - Bluffton Chamber of Commerce (the "Chamber") is a not-for-profit organization established February 5, 1957, to represent, serve and promote the common interests of its membership and the business community and to contribute to the preservation and prudent economic growth of southern Beaufort County of South Carolina area as a healthy place to live and do business.

Date of Management's Review:

Subsequent events were evaluated through September 7, 2018, which is the date the financial statements were available to be issued.

Basis of Presentation:

The Chamber prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The Chamber is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Chamber and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Chamber has no temporarily restricted net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Chamber. Generally, earnings from endowed contributions and investments are restricted for specific purposes. The Chamber has no permanently restricted net assets.

The statement of activities presents expenses categorized in accordance with the overall mission of the Chamber.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Property and Equipment:

Land donated to the Chamber is recorded at fair value on the date of donation. All other property and equipment is recorded at cost, less accumulated depreciation, computed by using the straight-line method. Estimated useful lives range from three to ten years for furniture, equipment, and capital improvements, three years for computer software, and thirty years for the building.

The Chamber generally capitalizes all expenditures for property and equipment in excess of \$1,000.

Membership Dues:

Membership dues are recognized as revenue ratably over the periods which members are entitled to services.

Visitor and Convention Bureau (V&CB):

The V&CB is a division of the Chamber. Funding for the V&CB is provided by membership investment, the state of South Carolina, Beaufort County, the Town of Hilton Head Island and Town of Bluffton through accommodations taxes (ATAX) and the Department of Parks, Recreation and Tourism (PRT) funds. Revenue is recognized as services are performed.

Membership Projects:

The Chamber conducts various training, educational seminars and promotions for its members. Tickets and sponsorships are sold to cover the expenses of conducting these functions. Project revenue is recognized on an accrual basis as earned.

Advertising Revenue:

Advertising revenue is collected in advance and is deferred and recognized over the period the advertisement runs.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

The Chamber has received a determination letter from the Internal Revenue Service (IRS) indicating it is a not-for-profit corporation organized under Section 501(c)(6) of the Internal Revenue Code. However, income from certain activities not directly related to the Chamber's tax exempt purpose is subject to federal and state income tax as unrelated business income. Management has determined that the Chamber has no current obligations for unrelated business income tax. Accordingly, no provisions for federal and state income taxes are required. The Chamber is not classified as a private foundation.

GAAP require management to evaluate tax positions taken by the Chamber and recognize a tax liability (or asset) if the Chamber has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Chamber, and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Chamber is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations prior to 2015.

NOTE 2 - BANK DEPOSITS:

During the year and at year end, the Chamber's bank balances were in excess of federal depository insurance coverage. Management believes the credit risk associated with exceeding the insurance coverage is balanced by the stability of the financial institution involved.

NOTE 3 - PROPERTY AND EQUIPMENT:

Components of property and equipment were as follows:

	JUNE 30,	
	<u>2018</u>	<u>2017</u>
Land	\$ 364,230	\$ 364,230
Building	1,852,484	1,820,949
Furniture and equipment	446,367	439,068
Capital improvements	58,917	58,917
Computer software	52,713	52,713
Total	<u>2,774,711</u>	<u>2,735,877</u>
Less: Accumulated depreciation	<u>(1,877,856)</u>	<u>(1,806,215)</u>
Property and equipment, net	<u>\$ 896,855</u>	<u>\$ 929,662</u>

NOTE 4 - DEFERRED REVENUE:

Components of deferred revenue were as follows:

	JUNE 30,	
	<u>2018</u>	<u>2017</u>
Membership dues	\$ 262,371	\$ 289,282
Visitor and Convention Bureau revenue	67,180	183,323
Leadership Hilton Head revenue	10,812	9,474
Other	17,503	196,933
Internet sales	<u>115,806</u>	<u>100,125</u>
Totals	<u>\$ 473,672</u>	<u>\$ 779,137</u>

NOTE 5 - LONG-TERM DEBT:

Long-term debt consists of the following:

	JUNE 30,	
	<u>2018</u>	<u>2017</u>
Mortgage note payable, bank, secured by land and building, 6.6%, interest and fixed principal payment of \$7,706 due monthly, note matures February 20, 2024.	\$ -	\$ 496,136
Less, current portion	<u>-</u>	<u>61,116</u>
Total, long-term portion	<u>\$ -</u>	<u>\$ 435,020</u>

The Chamber has an unused line of credit with a bank in the amount of \$3,200,000, collateralized by future expected revenues. The interest rate is the bank's prime rate plus 1% and expires on January 3, 2019.

NOTE 6 - LEASE COMMITMENTS:

The Chamber leases certain office equipment under noncancelable operating lease agreements. Lease expense charged to operations under lease agreements was \$3,792 for the years ended June 30, 2018 and 2017. Future minimum lease payments under these leases are \$3,792 for the year ended June 30, 2019.

The Chamber's lease on the Bluffton office is on a month-to-month basis.

NOTE 7 - EMPLOYEE BENEFITS:

The Chamber is a participant in the American Chamber of Commerce 401(k) Retirement/Savings Plan (the Plan). The Chamber contributes a percentage of each eligible employee's salary and matches each employee's contribution to a fixed maximum percentage. The Plan covers employees who have one or more years of service with the Chamber. The Chamber contributed \$81,682 and \$80,337 to the Plan for the years ended June 30, 2018 and 2017, respectively.



J. W. Hunt and Company

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors and Members
of Hilton Head Island – Bluffton
Chamber of Commerce

We have audited the financial statements of Hilton Head Island – Bluffton Chamber of Commerce as of and for the years ended June 30, 2018 and 2017, and our report thereon dated September 7, 2018, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information presented on pages 13 through 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

J.W. Hunt and Company, LLP.

September 7, 2018

**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

DESTINATION MARKETING ORGANIZATION OF THE TOWN OF HILTON HEAD ISLAND

HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU
SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,
YEAR ENDED JUNE 30, 2018

	TOWN OF HHI ACCOMMODATIONS <u>TAX</u>
Revenues - Town of Hilton Head Island - DMO	\$ 1,863,721
Town of Hilton Head Island - Supplemental Grant 2017-18	460,972
Town of Hilton Head Island - Crisis Fund	149,839
Total revenue	2,474,532
Expenses:	
Direct marketing:	
Leisure:	
Fulfillment	\$ 54,108
Vacation planner	107,034
Print media	75,404
Supplemental grant - Golf Marketing	189,133
Supplemental grant - Leisure	182,139
Supplemental grant - Crisis Fund	149,839
Destination Event Promotion	26,777
Destination photography	19,009
800 Toll-free number	1,844
Digital promotions	377,857
Social media	55,077
Leisure programs - Other	4,139
Total leisure	1,242,360
Meetings and group:	
Trade shows	53,529
Supplemental grant - Meetings	94,000
Meeting FAMS	2,040
Giveaways	3,849
Site inspections	1,920
Trade sponsorships	41,669
Trade media	20,598
Meetings - Other	3,309
Total meetings and group	220,914

HILTON HEAD ISLAND - BLUFFTON CHAMBER OF COMMERCE
 DESTINATION MARKETING ORGANIZATION OF THE TOWN OF HILTON HEAD ISLAND
 HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU
 SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,
 YEAR ENDED JUNE 30, 2018

	TOWN OF HHI ACCOMMODATIONS TAX
Expenses (continued):	
Direct marketing (continued):	
Public relations:	
Public relations firm	\$ 95,746
Special projects/photography	38,912
Total public relations	<u>134,658</u>
Group tour marketing:	
Group tour trade shows	77
Group tour FAMS	-
Total motorcoach marketing	<u>77</u>
International:	
Coastal South Carolina	28,121
International promotions	51,655
European sales mission(s)	12,135
Pow Wow International	6,912
Total international	<u>98,823</u>
Market research:	
Strategic planning and research	83,123
General contingency	5,000
Total research, planning and contingency	<u>88,123</u>
Total direct marketing expenses	<u>1,784,955</u>
Sales, marketing, visitor services and admin:	
Salaries	\$ 460,585
Payroll taxes	32,170
Employee benefits - 401K	23,029
Employee benefits - Insurance	47,413
Operations - Other	87,473
Operations - Building	38,907
Total sales, marketing, visitor services and admin	<u>689,577</u>
Total expenses	<u>2,474,532</u>
Excess of revenues over expenses	<u>\$ -</u>

**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

DESTINATION MARKETING ORGANIZATION OF THE TOWN OF BLUFFTON

HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU
SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,
YEAR ENDED JUNE 30, 2018

	BLUFFTON ACCOMMODATIONS <u>TAX</u>
Revenues - Town of Bluffton DMO	\$ 167,015
Expenses:	
Bluffton fulfillment	4,148
Vacation planner	11,064
Bluffton toll-free number	172
Digital promotions - Website/SEO	24,175
Digital promotions - Social Media	7,408
Leisure marketing (Matador Ventures)	22,500
Leisure marketing (Coastal Living)	28,074
Leisure marketing (Accolade Marketing)	4,000
Leisure marketing (Other)	171
Public relations	1,000
Trade shows (ABA)	1,632
Bluffton visitor research	875
Total direct marketing expenses	105,219
Administrative:	
Salaries	41,274
Payroll taxes	2,883
Employee benefits - 401K	2,064
Employee benefits - Insurance	4,249
Operations - Other	7,839
Operations - Building expense	3,487
Total administrative	61,796
Total expenses	167,015
Excess of revenues over expenses	\$ -

**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

DESTINATION MARKETING ORGANIZATION OF SOUTHERN BEAUFORT COUNTY

HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU
SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,
YEAR ENDED JUNE 30, 2018

	BEAUFORT COUNTY ACCOMMODATIONS <u>TAX</u>
Revenues - Southern Beaufort County DMO	<u>\$ 258,842</u>
Expenses:	
Fulfillment	7,574
Vacation planner	19,917
Digital Promotions - Website/SEO	47,766
Digital Promotions - Social Media	11,620
Garden & Gun	18,000
Trip Advisor	25,000
Coastal Living	21,926
Trade Shows(ABA)	1,545
Dafuskie Marketing	7,202
BC/Bluffton visitor research	2,519
Total leisure	<u>163,070</u>
Total direct marketing expenses	<u>163,070</u>
Administrative:	
Salaries	63,968
Payroll taxes	4,468
Employee benefits - 401K	3,198
Employee benefits - Insurance	6,585
Operations - Other	12,149
Operations - Building expense	5,404
Total administrative	<u>95,772</u>
Total expenses	<u>258,842</u>
Excess of revenues over expenses	<u><u>\$ -</u></u>

**HILTON HEAD ISLAND - BLUFFTON
CHAMBER OF COMMERCE**

**HILTON HEAD ISLAND VISITOR AND CONVENTION BUREAU
SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,
YEAR ENDED JUNE 30, 2018**

	<u>ACCOMMODATIONS TAX</u>			<u>PARKS, RECREATION AND TOURISM</u>	<u>MARKETING</u>	<u>MEMBERSHIP</u>	<u>TOTAL</u>
	<u>TOWN OF HHI</u>	<u>BLUFFTON</u>	<u>B/C DMO</u>				
Revenues:							
Town of Hilton Head Island DMO	\$ 1,863,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,863,721
Town of Hilton Head Isl. supplemental grant	460,972	-	-	-	-	-	460,972
Town of Hilton Head Isl. Crisis fund	149,839	-	-	-	-	-	149,839
Beaufort County DMO	-	-	258,842	-	-	-	258,842
Beaufort County DMO / Supl Grants	-	-	-	-	-	-	-
Town of Bluffton DMO	-	167,015	-	-	-	-	167,015
SCPRT DMO grants	-	-	-	867,250	-	-	867,250
SCPRT co-op grants	-	-	-	500,000	-	-	500,000
Member funding	-	-	-	-	1,832,150	1,628,939	3,461,089
Total revenues	2,474,532	167,015	258,842	1,367,250	1,832,150	1,628,939	7,728,728
Expenses:							
Leisure	1,242,360	54,745	64,926	540,642	-	-	1,902,673
Town of Bluffton marketing	-	49,163	-	-	-	-	49,163
Beaufort County marketing - Bluffton	-	-	88,442	-	-	-	88,442
Beaufort County marketing - Daufuskie	-	-	7,202	-	-	-	7,202
Meetings and group	220,914	-	-	95,752	27,804	-	344,470
Public relations	134,658	-	-	104,772	-	-	239,430
International	98,823	-	-	76,891	-	-	175,714
Group tour marketing	77	436	-	59	-	-	572
Market planning and research	83,123	875	2,500	66,607	15,221	-	168,326
Marketing co-op programs	-	-	-	277,439	1,264,934	-	1,542,373
Membership related expenses	-	-	-	-	-	435,256	435,256
General contingency	5,000	-	-	-	34,423	-	39,423
Sales, marketing and administrative	689,577	61,796	95,772	205,088	489,768	1,313,186	2,855,187
Total expenses	2,474,532	167,015	258,842	1,367,250	1,832,150	1,748,442	7,848,231
Excess of revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (119,503)	\$ (119,503)