

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

Financial Statements
with Additional Information
Years Ended June 30, 2019 and 2018
and
Independent Auditors' Report



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

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION.....	11
ADDITIONAL INFORMATION:	
Hilton Head Island Visitor and Convention Bureau Schedule of Revenues and Functional Expenses.....	12



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, 2019 and 2018, 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, 2019 and 2018, 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 20, 2019

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

STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash	\$ 613,604	\$ 595,329
Accounts receivable	57,472	45,011
Less, allowance for uncollectible accounts	(70)	(5,449)
Prepaid expenses	140,707	104,497
Other	<u>9,293</u>	<u>9,293</u>
Total current assets	821,006	748,681
Property and equipment - net	<u>857,252</u>	<u>896,855</u>
Total assets	<u><u>\$ 1,678,258</u></u>	<u><u>\$ 1,645,536</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 373,909	\$ 417,643
Deferred revenue	509,532	473,672
Other liabilities	<u>166,657</u>	<u>129,735</u>
Total current liabilities	1,050,098	1,021,050
Unrestricted net assets	<u>628,160</u>	<u>624,486</u>
Total liabilities and net assets	<u><u>\$ 1,678,258</u></u>	<u><u>\$ 1,645,536</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Unrestricted revenues and other support:		
Visitor and Convention Bureau projects	\$ 6,367,812	\$ 5,822,885
Membership dues	700,644	695,460
Membership projects	880,577	926,817
Brochure advertising	256,850	276,905
Building rent and common share	4,000	1,200
Interest income	3,191	5,461
	<u>8,213,074</u>	<u>7,728,728</u>
Total unrestricted revenues and other support		
Expenses:		
Visitor and Convention Bureau	5,039,661	4,557,790
Salaries and related benefits	2,244,486	2,331,911
General and administrative	370,247	336,525
Membership projects	363,257	398,196
Bluffton Office	31,164	37,060
Depreciation	65,138	71,641
Building	95,447	83,755
Interest	-	31,353
	<u>8,209,400</u>	<u>7,848,231</u>
Total expenses		
Change in unrestricted net assets	3,674	(119,503)
Unrestricted net assets at beginning of year	<u>624,486</u>	<u>743,989</u>
Unrestricted net assets at end of year	<u>\$ 628,160</u>	<u>\$ 624,486</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 3,674	\$ (119,503)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	65,138	71,641
Changes in assets and liabilities:		
Increase in accounts receivable	(17,840)	(3,094)
Increase in prepaid expenses and other assets	(36,210)	(8,291)
Increase (decrease) in accounts payable	(43,734)	153,387
Increase (decrease) in other liabilities	36,922	(6,246)
Increase (decrease) in deferred revenue	35,860	(305,465)
<u>Net cash provided (used) by operating activities</u>	<u>43,810</u>	<u>(217,571)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(6,858)	(7,299)
Purchase of building	-	(31,535)
Purchase of capital improvements	(18,677)	-
<u>Net cash used by investing activities</u>	<u>(25,535)</u>	<u>(38,834)</u>
Cash flows from financing activities:		
Principal payments on notes payable	-	(496,136)
<u>Net cash used by financing activities</u>	<u>-</u>	<u>(496,136)</u>
Net increase (decrease) in cash	18,275	(752,541)
Cash at beginning year	<u>595,329</u>	<u>1,347,870</u>
Cash at end of year	<u>\$ 613,604</u>	<u>\$ 595,329</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 31,353</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, 2019 AND 2018

**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 20, 2019, 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, 2019, 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 2016.

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>2019</u>	<u>2018</u>
Land	\$ 364,230	\$ 364,230
Building	1,852,484	1,852,484
Furniture and equipment	453,226	446,367
Capital improvements	77,594	58,917
Computer software	52,713	52,713
Total	<u>2,800,247</u>	<u>2,774,711</u>
Less: Accumulated depreciation	<u>(1,942,995)</u>	<u>(1,877,856)</u>
Property and equipment, net	<u>\$ 857,252</u>	<u>\$ 896,855</u>

NOTE 4 - DEFERRED REVENUE:

Components of deferred revenue were as follows:

	JUNE 30,	
	<u>2019</u>	<u>2018</u>
Membership dues	\$ 244,909	\$ 262,371
Visitor and Convention Bureau revenue	74,394	67,180
Leadership Hilton Head revenue	13,151	10,812
Other	42,952	17,503
Internet sales	<u>134,126</u>	<u>115,806</u>
Totals	<u>\$ 509,532</u>	<u>\$ 473,672</u>

NOTE 5 - 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, 2019 and 2018. Future minimum lease payments under these leases are \$1,264 for the year ended June 30, 2020.

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

NOTE 6 - 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 \$81,066 and \$81,682 to the Plan for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, and our report thereon dated September 20, 2019, 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 12 through 16 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 20, 2019

**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, 2019

	TOWN OF HHI ACCOMMODATIONS <u>TAX</u>
Revenues - Town of Hilton Head Island - DMO	\$ 1,977,645
Town of Hilton Head Island - Supplmt Grant 2018-19	646,321
Town of Hilton Head Island - Crisis Fund	175,000
Total revenue	2,798,966
 Expenses:	
Direct marketing:	
Leisure:	
Fulfillment	\$ 53,199
Vacation planner	105,431
Print media	316,194
Packaging promotions	4,579
Supplemental grant - Golf Marketing	255,128
Supplemental grant - Leisure	280,118
Supplemental grant - Crisis Fund	175,000
Destination photography	6,110
800 Toll-free number	2,157
Digital promotions	348,197
Social media	59,236
Total leisure	1,605,349
 Meetings and group:	
Trade shows	43,458
Supplemental grant - Meetings	104,575
Meeting FAMS	286
Meeting collateral	604
Site inspections	1,997
Trade sponsorships	7,870
Trade media	15,876
Total meetings and group	174,666

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, 2019

	TOWN OF HHI ACCOMMODATIONS TAX
Expenses (continued):	
Direct marketing (continued):	
Public relations:	
Public relations firm	\$ 88,518
Editorial initiatives/ photography	41,017
Total public relations	<u>129,535</u>
Group tour marketing:	
Group tour trade shows	1,812
Group tour FAMS	92
Total motorcoach marketing	<u>1,904</u>
International:	
Coastal South Carolina	31,490
International promotions	89,269
Pow Wow International	3,624
Total international	<u>124,383</u>
Market research:	
Strategic planning & research	26,400
General contingency	5,000
Total research, planning and contingency	<u>31,400</u>
Total direct marketing expenses	<u>2,067,237</u>
Sales, marketing, visitor services and admin:	
Salaries	\$ 488,515
Payroll taxes	32,979
Employee benefits - 401K	24,426
Employee benefits - Insurance	45,852
Operations - Other	102,896
Operations - Building	37,061
Total sales, marketing, visitor services and admin	<u>731,729</u>
Total expenses	<u>2,798,966</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, 2019

	BLUFFTON ACCOMMODATIONS <u>TAX</u>
Revenues - Town of Bluffton DMO	\$ <u>204,073</u>
Expenses:	
Bluffton fulfillment	4,664
Vacation planner	10,405
Digital promotions - Website/SEO/Social Media	63,262
Leisure marketing (Military Media)	7,915
Leisure marketing (Conde Nast)	14,900
Leisure marketing (Garden & Gun)	24,600
Leisure marketing - Other	70
Trade shows (ABA)	1,750
Bluffton visitor research	1,000
Total direct marketing expenses	128,566
Administrative:	
Salaries	50,410
Payroll taxes	3,403
Employee benefits - 401K	2,521
Employee benefits - Insurance	4,731
Operations - Other	10,618
Operations - Building expense	3,824
Total administrative	75,507
Total expenses	204,073
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, 2019**

	BEAUFORT COUNTY ACCOMMODATIONS <u>TAX</u>
Revenues - Southern Beaufort County DMO	\$ 283,504
Beaufort County Special Grant	21,000
Total Revenue	304,504
Expenses:	
Fulfillment	7,626
Vacation planner	15,220
Digital promotions - Website/SEO/Social Media	73,443
Leisure marketing (Military Media)	11,873
Leisure marketing (Smithsonian)	14,500
Leisure Marketing (Garden & Gun)	36,900
Beaufort County Grant - Special Projects (Smithsonian)	21,000
Daufuskie Marketing	19,046
Total leisure	199,608
Total direct marketing expenses	199,608
Administrative:	
Salaries	70,030
Payroll taxes	4,728
Employee benefits - 401K	3,501
Employee benefits - Insurance	6,573
Operations - Other	14,751
Operations - Building Expense	5,313
Total administrative	104,896
Total expenses	304,504
Excess of revenues over expenses	\$ -

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

**SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,
YEAR ENDED JUNE 30, 2019**

	ACCOMMODATIONS TAX			PARKS, RECREATION AND TOURISM	MARKETING	MEMBERSHIP	TOTAL
	TOWN OF HHI	BLUFFTON	B/C DMO				
Revenues:							
Town of Hilton Head Island DMO	\$ 1,977,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,977,645
Town of Hilton Head Isl. supplemental grant	646,321	-	-	-	-	-	646,321
Town of Hilton Head Isl. Crisis fund	175,000	-	-	-	-	-	175,000
Beaufort County DMO	-	-	283,504	-	-	-	283,504
Beaufort County DMO / Supl Grants	-	-	21,000	-	-	-	21,000
Town of Bluffton DMO	-	204,073	-	-	-	-	204,073
SCPRT DMO grants	-	-	-	850,000	-	-	850,000
SCPRT co-op grants	-	-	-	500,000	-	-	500,000
Member funding	-	-	-	-	1,967,117	1,588,414	3,555,531
Total revenues	2,798,966	204,073	304,504	1,350,000	1,967,117	1,588,414	8,213,074
Expenses:							
Leisure	1,605,349	47,415	84,273	659,325	291,665	-	2,688,027
Town of Bluffton marketing	-	80,151	-	-	-	-	80,151
Beaufort County marketing - Bluffton	-	-	96,289	-	-	-	96,289
Beaufort County marketing - Daufuskie	-	-	19,046	-	-	-	19,046
Meetings and group	174,666	-	-	52,330	19,871	-	246,867
Public relations	129,535	-	-	96,710	-	-	226,245
International	124,383	-	-	92,863	85,000	-	302,246
Group tour marketing	1,904	-	-	1,422	-	-	3,326
Market planning and research	26,400	1,000	-	2,575	99,313	-	129,288
Marketing co-op programs	-	-	-	242,275	969,094	-	1,211,369
Membership related expenses	-	-	-	-	-	394,421	394,421
General contingency	5,000	-	-	-	31,806	-	36,806
Sales, marketing and administrative	731,729	75,507	104,896	202,500	470,368	1,190,319	2,775,319
Total expenses	2,798,966	204,073	304,504	1,350,000	1,967,117	1,584,740	8,209,400
Excess of revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,674	\$ 3,674