

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

Financial Statements
with Additional Information
Years Ended June 30, 2020 and 2019
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, 2020 and 2019, 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, 2020 and 2019, 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 17, 2020

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

STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash	\$ 1,415,388	\$ 613,604
Accounts receivable	77,085	57,472
Less, allowance for uncollectible accounts	(111)	(70)
Prepaid expenses	90,743	140,707
Other	<u>9,293</u>	<u>9,293</u>
Total current assets	1,592,398	821,006
 PROPERTY AND EQUIPMENT, net	 <u>859,026</u>	 <u>857,252</u>
Total assets	<u><u>\$ 2,451,424</u></u>	<u><u>\$ 1,678,258</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 335,693	\$ 373,909
Deferred revenue	1,339,401	509,532
Other liabilities	<u>139,364</u>	<u>166,657</u>
Total current liabilities	1,814,458	1,050,098
 NET ASSETS:		
Without donor restrictions	<u>636,966</u>	<u>628,160</u>
Total net assets	<u>636,966</u>	<u>628,160</u>
Total liabilities and net assets	<u><u>\$ 2,451,424</u></u>	<u><u>\$ 1,678,258</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES AND OTHER SUPPORT:		
Visitor and Convention Bureau projects	\$ 5,586,604	\$ 6,367,812
Membership dues	658,379	700,644
Membership projects	879,362	880,577
Brochure advertising	268,653	256,850
Building rent and common share	17,450	4,000
Interest income	<u>9,619</u>	<u>3,191</u>
Total revenues and other support	<u>7,420,067</u>	<u>8,213,074</u>
EXPENSES:		
Visitor and Convention Bureau	4,205,257	5,039,661
Salaries and related benefits	2,377,172	2,244,486
General and administrative	299,375	370,247
Membership projects	359,362	363,257
Bluffton Office	21,668	31,164
Depreciation	64,127	65,138
Building	<u>84,300</u>	<u>95,447</u>
Total expenses	<u>7,411,261</u>	<u>8,209,400</u>
CHANGE IN NET ASSETS	8,806	3,674
NET ASSETS, BEGINNING OF YEAR	<u>628,160</u>	<u>624,486</u>
NET ASSETS, END OF YEAR	<u><u>\$ 636,966</u></u>	<u><u>\$ 628,160</u></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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,806	\$ 3,674
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	64,127	65,138
Changes in assets and liabilities:		
Increase in accounts receivable	(19,572)	(17,840)
Increase in prepaid expenses and other assets	49,964	(36,210)
Increase (decrease) in accounts payable	(38,216)	(43,734)
Increase (decrease) in other liabilities	(27,293)	36,922
Increase (decrease) in deferred revenue	<u>829,869</u>	<u>35,860</u>
Net cash provided by operating activities	<u>867,685</u>	<u>43,810</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(57,206)	(6,858)
Purchase of capital improvements	<u>(8,695)</u>	<u>(18,677)</u>
Net cash used by investing activities	<u>(65,901)</u>	<u>(25,535)</u>
NET CHANGE IN CASH	801,784	18,275
CASH, BEGINNING OF YEAR	<u>613,604</u>	<u>595,329</u>
CASH, END OF YEAR	<u><u>\$ 1,415,388</u></u>	<u><u>\$ 613,604</u></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, 2020 AND 2019

**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 17, 2020, which is the date the financial statements were available to be issued.

Basis of Presentation:

The Chamber's financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

The Chamber reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Chamber, the environment in which it operates, the purposes specified in its corporate documents and application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those restricted by a donor that the resources be maintained in perpetuity. The Chamber does not have any assets that are subject to donor-imposed restrictions.

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

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, 2020, 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 2017.

New Accounting Pronouncement:

During the current year, the Chamber adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires the Chamber to recognize revenue when it transfers control of promised goods or services. Revenue is recognized in an amount that reflects the consideration the Chamber expects to receive in exchange for those goods or services. The ASU also requires the Chamber to disclose sufficient quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Management has determined that this ASU did not significantly impact the Chamber's financial statements.

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>2020</u>	<u>2019</u>
Land	\$ 364,230	\$ 364,230
Building	1,852,484	1,852,484
Furniture and equipment	458,268	453,226
Capital improvements	83,038	77,594
Computer software	51,308	52,712
Total	<u>2,809,328</u>	<u>2,800,246</u>
Less: Accumulated depreciation	<u>(1,950,302)</u>	<u>(1,942,994)</u>
Property and equipment, net	<u>\$ 859,026</u>	<u>\$ 857,252</u>

NOTE 4 - DEFERRED REVENUE:

Components of deferred revenue were as follows:

	JUNE 30,	
	<u>2020</u>	<u>2019</u>
Membership dues	\$ 252,410	\$ 244,909
Visitor and Convention Bureau revenue	579,777	74,394
Leadership Hilton Head revenue	18,386	13,151
Private tourism investment	368,990	-
Other	10,670	42,952
Internet sales	<u>109,168</u>	<u>134,126</u>
Totals	<u>\$ 1,339,401</u>	<u>\$ 509,532</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 \$1,264 and \$3,792, respectively for the years ended June 30, 2020 and 2019. There are no future minimum lease payments under these leases for the year ended June 30, 2020.

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

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The Chamber's financial assets consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,415,388	\$ 613,604
Accounts receivable	<u>77,085</u>	<u>57,472</u>
Total financial assets	<u>\$ 1,492,473</u>	<u>\$ 671,076</u>

As of June 30, 2020, all of the financial assets above could readily be made available within one year of the balance sheet date to meet general expenditures.

The Chamber regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Chamber considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Chamber operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of the Chamber's cash and shows positive cash generated by operations for the years ended June 30, 2020 and 2019.

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 \$85,843 and \$81,066 to the Plan for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, and our report thereon dated September 17, 2020, 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 17, 2020

**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, 2020

	TOWN OF HHI ACCOMMODATIONS <u>TAX</u>
Revenues - Town of Hilton Head Island - DMO	\$ 2,175,796
Town of Hilton Head Island - Supplmt Grant 2019-20	491,047
Town of Hilton Head Island - Crisis Fund	175,000
Total revenue	2,841,843
 Expenses:	
Direct marketing:	
Leisure:	
Fulfillment	\$ 44,117
Vacation planner	124,333
Print media	323,618
Leisure Co-op	14,472
Supplemental grant - Golf Marketing	121,315
Supplemental grant - Leisure	294,798
Supplemental grant - Crisis Fund	175,000
Destination photography	4,288
800 Toll-free number	3,688
Digital promotions	236,160
Social media	70,288
Total leisure	1,412,077
 Meetings and group:	
Trade shows	85,083
Supplemental grant - Meetings	74,935
Meeting FAMS	376
Meeting collateral	7,476
Site inspections	1,433
Trade sponsorships	50
Trade media	3,316
Total meetings and group	172,669

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, 2020

	TOWN OF HHI ACCOMMODATIONS TAX
Expenses (continued):	
Direct marketing (continued):	
Public relations:	
Public relations firm	\$ 128,152
Editorial initiatives/ photography	77,215
Total public relations	<u>205,367</u>
International:	
Coastal South Carolina	25,724
International promotions	22,088
Pow Wow International	1,286
Total international	<u>49,098</u>
Market research:	
Strategic planning & research	191,217
General contingency	6,370
Total research, planning and contingency	<u>197,587</u>
Total direct marketing expenses	<u>2,036,798</u>
Sales, marketing, visitor services and admin:	
Salaries	\$ 552,828
Payroll taxes	39,267
Employee benefits - 401K	27,641
Employee benefits - Insurance	56,327
Operations - Other	91,260
Operations - Building	37,722
Total sales, marketing, visitor services and admin	<u>805,045</u>
Total expenses	<u>2,841,843</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, 2020

	BLUFFTON ACCOMMODATIONS <u>TAX</u>
Revenues - Town of Bluffton DMO	\$ 218,920
Town of Bluffton Special Grant - Special	25,000
Total Revenue	243,920
Expenses:	
Bluffton fulfillment	3,936
Vacation planner	11,510
Digital promotions - Social Media	37,200
Digital promotions - Website/SEO	18,000
Digital Promotions - Google/Facebook/Other	20,324
Leisure marketing (Southern Living)	31,100
Leisure marketing (Departures)	14,850
Town of Bluffton grant - special projects	25,000
Bluffton visitor research	1,000
Total direct marketing expenses	162,920
Administrative:	
Salaries	55,623
Payroll taxes	3,951
Employee benefits - 401K	2,781
Employee benefits - Insurance	5,667
Operations - Other	9,182
Operations - Building expense	3,796
Total administrative	81,000
Total expenses	243,920
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, 2020

	BEAUFORT COUNTY ACCOMMODATIONS <u>TAX</u>
Revenues - Southern Beaufort County DMO	\$ 283,424
Beaufort County Special Grant	10,000
Total Revenue	293,424
Expenses:	
Fulfillment	6,250
Vacation planner	17,196
Digital promotions - Website/SEO/Social Media	30,709
Leisure marketing (Southern Living/Departures Magazine)	49,203
Leisure marketing (Garden & Gun)	20,000
Leisure Marketing (Southern Living Accrued for FY2021)	31,819
Trade Shows (ABA/Parris Island)	3,466
Beaufort County Grant - Special Projects (Monster Bear Media)	10,000
Daufuskie Marketing	11,914
BC/Bluffton Visitor Research	8,000
Total direct marketing expenses	188,557
Administrative:	
Salaries	72,012
Payroll taxes	5,115
Employee benefits - 401K	3,601
Employee benefits - Insurance	7,337
Operations - Other	11,888
Operations - Building Expense	4,914
Total administrative	104,867
Total expenses	293,424
Excess of revenues over expenses	\$ -

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

**SCHEDULE OF REVENUES AND FUNCTIONAL EXPENSES,
YEAR ENDED JUNE 30, 2020**

	ACCOMMODATIONS TAX			PARKS, RECREATION AND TOURISM	MARKETING	MEMBERSHIP	TOTAL
	TOWN OF HHI	BLUFFTON	B/C DMO				
Revenues:							
Town of Hilton Head Island DMO	\$ 2,175,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,175,796
Town of Hilton Head Isl. Supplemental grants	491,047	-	-	-	-	-	491,047
Town of Hilton Head Isl. Crisis fund	175,000	-	-	-	-	-	175,000
Beaufort County DMO	-	-	283,424	-	-	-	283,424
Beaufort County DMO / Supl Grants	-	-	10,000	-	-	-	10,000
Town of Bluffton DMO	-	218,920	-	-	-	-	218,920
Town of Bluffton Supplemental grants	-	25,000	-	-	-	-	25,000
SCPRT DMO grants	-	-	-	700,000	-	-	700,000
SCPRT co-op grants	-	-	-	550,000	-	-	550,000
Member funding	-	-	-	-	1,226,070	1,564,810	2,790,880
Total revenues	2,841,843	243,920	293,424	1,250,000	1,226,070	1,564,810	7,420,067
Expenses:							
Leisure	1,412,077	45,950	109,912	458,902	-	-	2,026,841
Town of Bluffton marketing	-	115,970	-	-	-	-	115,970
Beaufort County marketing - Bluffton	-	-	26,912	-	-	-	26,912
Beaufort County marketing - FY2021 Accru.	-	-	31,819	-	(31,819)	-	-
Beaufort County marketing - Daufuskie	-	-	11,914	-	-	-	11,914
Meetings and group	172,669	-	-	54,240	-	-	226,909
Public relations	205,367	-	-	113,973	-	-	319,340
International	49,098	-	-	27,248	-	-	76,346
Market planning and research	191,217	1,000	8,000	2,310	-	-	202,527
Marketing co-op programs	-	-	-	401,676	730,774	-	1,132,450
Membership related expenses	-	-	-	-	-	411,029	411,029
General contingency	6,370	-	-	4,150	55,527	-	66,047
Sales, marketing and administrative	805,045	81,000	104,867	187,501	471,588	1,144,975	2,794,976
Total expenses	2,841,843	243,920	293,424	1,250,000	1,226,070	1,556,004	7,411,261
Excess of revenues over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,806	\$ 8,806