



**Osceola Convention and
Visitors Bureau, Inc.
d/b/a Experience Kissimmee**

Financial Statements
Years Ended September 30, 2016 and 2015

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Financial Statements
Years Ended September 30, 2016 and 2015

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Contents

Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Notes to Financial Statements	8-14



Independent Auditor's Report

Board of Directors
Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

We have audited the accompanying financial statements of Osceola Convention and Visitors Bureau, Inc. d/b/a Experience Kissimmee, which comprise the statements of financial position as of September 30, 2016 and 2015, 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 Osceola Convention and Visitors Bureau, Inc. d/b/a Experience Kissimmee as of September 30, 2016 and 2015, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


BDO USA, LLP
March 6, 2017

Financial Statements

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Statements of Financial Position

<i>September 30,</i>	2016	2015
Assets		
Cash and cash equivalents	\$ 1,932,148	\$ 1,559,879
Accounts receivable	58,290	-
Prepaid expenses and other assets (Note 2)	134,457	420,144
Security deposit	39,759	-
Property and equipment net (Note 3)	490,648	161,766
Total Assets	\$ 2,655,302	\$ 2,141,789
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,415,688	\$ 620,288
Accrued payroll and related expenses	227,887	342,203
Deferred rent liability	22,680	10,843
Total liabilities	1,666,255	973,334
Unrestricted net assets:		
Unrestricted	187,443	1,168,455
Board designated (Note 4)	801,604	-
Total unrestricted net assets	989,047	1,168,455
Total Liabilities and Net Assets	\$ 2,655,302	\$ 2,141,789

See accompanying notes to financial statements.

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Statements of Activities

<i>Year Ended September 30,</i>	2016	2015
Revenues and support:		
Tourist development tax funding (Note 6)	\$ 16,262,077	\$ 13,782,898
Grant funding (Note 6)	1,349,669	1,284,668
In-kind donations	2,101,304	1,005,361
Advertising revenue	366,595	192,624
Promotional participation	107,644	86,791
Contribution from Osceola County, net (Note 7)	-	69,886
Interest income	2,335	1,762
Other income	10,128	-
Total revenues and support	20,199,752	16,423,990
Program expenses:		
Promotional services	13,921,144	9,576,524
Program related personnel costs	2,781,295	2,489,704
Grants to private organizations (Note 6)	1,373,203	1,236,660
Research	298,000	295,847
Other program expenses	537,823	517,427
Total program expenses	18,911,465	14,116,162
Supporting services:		
Management and general administration	1,467,695	1,139,373
Total expenses	20,379,160	15,255,535
Change in unrestricted net assets	(179,408)	1,168,455
Unrestricted net assets, beginning of year	1,168,455	-
Unrestricted net assets, end of year	\$ 989,047	\$ 1,168,455

See accompanying notes to financial statements.

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Statements of Cash Flows

<i>Year Ended September 30,</i>	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (179,408)	\$ 1,168,455
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	55,275	27,825
Contributed furniture and equipment	-	(84,239)
Cash provided by (used for):		
Accounts receivable	(58,290)	-
Prepaid expenses and other assets	285,687	(420,144)
Security deposit	(39,759)	-
Accounts payable and accrued expenses	795,400	620,288
Accrued payroll and related expenses	(114,316)	342,203
Deferred rent liability	11,837	10,843
Net cash provided by operating activities	756,426	1,665,231
Cash flows from investing activities:		
Purchase of furniture and equipment	(384,157)	(105,352)
Net increase in cash and cash equivalents	372,269	1,559,879
Cash and cash equivalents, beginning of year	1,559,879	-
Cash and cash equivalents, end of year	\$ 1,932,148	\$ 1,559,879

See accompanying notes to financial statements.

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Notes to Financial Statements

1. Nature of the Organization and Summary of Accounting Policies

Nature of the Organization

The Osceola Convention and Visitors Bureau, Inc. d/b/a Experience Kissimmee (“Experience Kissimmee” or the “Organization”) was incorporated on October 1, 2014, under the laws of the state of Florida as a not-for-profit organization to promote the Osceola County area as a destination for tourists, conventions and trade shows, and to provide services to these groups. Experience Kissimmee transitioned from public governance with Osceola County to a private organization steered by a Board of Directors, enabling Experience Kissimmee to be more opportunistic and entrepreneurial in generating traveler awareness and stimulating business growth and development for the community. Strong partnerships among tourism leaders and businesses are integral to success for the Organization in the implementation of broad-based and targeted sales and marketing campaigns and programs and communications with media, travel trade and consumers from around the world.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearest conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash Equivalents

The Organization considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments which potentially subject Experience Kissimmee to concentrations of credit risk consist principally of cash in financial institutions in excess of Federal Deposit Insurance Corporation limits. Experience Kissimmee maintains its cash with what management believes to be a high-credit, quality financial institution.

Experience Kissimmee receives a substantial amount of its support from Osceola County, Florida (the “County”). During 2016 and 2015, 87% and 92%, respectively, of Experience Kissimmee’s total revenues and support were from the tourist development tax funding and grant funding from the County. If a significant reduction in the level of tourist development taxes collected by the County or a severe economic downturn on businesses in the Osceola County tourism industry occurred, this may have an adverse effect on Experience Kissimmee’s programs and activities.

Fair Value Measurements

Experience Kissimmee reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Notes to Financial Statements

The three levels of the fair value hierarchy are described below:

Level 1 - Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Valuation based on observable quoted prices for similar assets and liabilities in active markets.

Level 3 - Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, accounts payable and accrued expenses and accrued payroll and related expenses.

The Organization has no Level 1, 2 or 3 financial instruments.

Furniture and Equipment

Furniture and equipment are stated at cost. Certain furniture and equipment were contributed by Osceola County at the inception of Experience Kissimmee and are stated at fair value at the time of contribution (see Note 7). Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. Leasehold improvements are amortized straight-line over the lesser of the estimated useful lives of the assets or the associated term of their leases.

Deferred Rent Liability

Deferred rent liability represents provisions for future rent increases. The difference between rent expense recorded and the amount paid is recorded as deferred rent liability in the accompanying statements of financial position. The deferred rent liability is amortized as a reduction of rent expense on a straight-line basis over the term of the lease.

Advertising Expense

Purchased advertising media is expensed when the related media is published or broadcast. Costs incurred in advance of an advertising program, such as printing and production, are recorded as prepaid expenses until the corresponding media is published or broadcast, at which time it is expensed.

Advertising expense amounted to \$4,563,490 and \$4,436,193 for the years ended September 30, 2016 and 2015, respectively.

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Notes to Financial Statements

Revenue Recognition

Tourism development tax and grant funding are recognized when earned, and in the period to which it relates, in accordance with the 2014 Tourist Promotion Agreement. Advertising revenue primarily relates to online advertising placed on Experience Kissimmee's website, and is recognized in the period to which it relates. Promotional participation revenues are recognized when the event takes place. Payments for services received in advance are recorded as deferred revenue until earned.

Donated Goods and Services

Experience Kissimmee periodically receives or coordinates the donation of items, such as airline tickets, attraction tickets, and hotel rooms, which are used in efforts to promote the Osceola County area as a tourist and convention destination. The value of donated goods and services has been recorded as in-kind donations in the accompanying statements of activities at their estimated fair-value at the date of receipt. Donated goods and services totaled \$2,101,304 and \$1,005,361 for the years ended September 30, 2016 and 2015, respectively, which were recorded as promotional services expenses in the accompanying statements of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of Experience Kissimmee have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Experience Kissimmee has applied for recognition as a tax-exempt entity under Section 501(c)(6) of the Internal Revenue Code and under similar provisions of the Florida Statutes. As of March 6, 2017, Experience Kissimmee had not yet received the exemption. However, Management believes the exemption will be granted. Accordingly, no provision for federal and state income taxes is reflected in the accompanying financial statements.

Experience Kissimmee identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statements of financial position. Experience Kissimmee has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, Experience Kissimmee would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Experience Kissimmee has one tax year subject to examination by the Internal Revenue Service, which consists of its initial return.

Use of Estimates

The preparation of the 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 disclosures 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.

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Notes to Financial Statements

Accounting Pronouncements Issued but Not Yet Adopted

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. Experience Kissimmee is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard.

Financial Statement Presentation of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for Experience Kissimmee’s fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Experience Kissimmee is currently evaluating the impact of this ASU on its financial statements.

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Notes to Financial Statements

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Experience Kissimmee is currently evaluating the impact of this ASU on its financial statements.

2. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

<i>September 30,</i>	2016	2015
Event sponsorships	\$ 36,250	\$ 327,500
Promotional supplies	31,692	43,649
Promotional costs	58,339	34,226
Trade show registrations	-	9,935
Membership dues	400	1,000
Other	7,776	3,834
	\$ 134,457	\$ 420,144

3. Furniture and Equipment, Net

Furniture and equipment consist of the following:

<i>September 30,</i>	<i>Useful Life</i>	2016	2015
Furniture and fixtures	7 years	\$ 263,333	\$ 91,227
Equipment	5 years	152,827	78,864
Transportation equipment	3 years	10,000	10,000
Software	5 years	111,089	9,500
Leasehold improvements	7 years	36,498	-
		573,747	189,591
Less: accumulated depreciation and amortization		(83,099)	(27,825)
		\$ 490,648	\$ 161,766

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Notes to Financial Statements

4. Board Designated Net Assets

During fiscal year 2016, the Board of Directors established two reserve accounts, an operating reserve and a marketing reserve, which totaled \$801,604 at September 30, 2016. The operating reserve totaled \$701,576 at September 30, 2016 and is intended to ensure uninterrupted organization operations in the event of an unexpected decline in funding. The marketing reserve totaled \$100,058 and is to be used to fund unbudgeted, opportunistic sales, marketing, and advertising campaigns. Spending from either account is subject to approval by a majority vote of the Board of Directors.

5. Operating Lease

Experience Kissimmee has a non-cancelable operating lease for office space which expires on August 31, 2023. In addition, the Organization leases additional space in the same building which commenced on September 1, 2016 and expires on April 30, 2023. Future minimum lease payments under these non-cancelable operating leases as of September 30, 2016 are approximated as follows:

Year Ending September 30,

2017	\$ 368,000
2018	409,000
2019	425,000
2020	438,000
2021	451,000
Thereafter	743,000

\$ 2,834,000

Rent expense amounted to \$321,062 and \$314,794 for the years ended September 30, 2016 and 2015, respectively.

6. Tourist Development Tax Funding

Experience Kissimmee receives support from the County from the Tourist Development Tax (“TDT”), presently being levied under the Tourist Promotion Agreement dated August 18, 2014 (the “Agreement”). Under the Agreement, Experience Kissimmee began receiving monthly payments on October 1, 2014. Monthly payments are based on an annual calculation of 45% of the Net TDT, defined as the amount of TDT (including the “First Four Pennies,” the “Fifth Penny” and the “Sixth Penny”) available for appropriation after deducting:

- The amount the County discounts for reasonably anticipated receipts
- The County’s budgeted cost of collection, audit and enforcement

As part of the Agreement, 3.5% of the net TDT is allocated to Experience Kissimmee for grant funding assistance to organizations conducting special events and projects that increase room nights and revenue for the County, as recommended by the County and approved by Experience Kissimmee. These amounts are reflected as grant funding revenue and grants to private organizations on the statements of activities.

Osceola Convention and Visitors Bureau, Inc.
d/b/a Experience Kissimmee

Notes to Financial Statements

7. Contribution from Osceola County, Net

In accordance with the Tourist Promotion Agreement as disclosed in Note 6, during 2015, the County contributed certain furniture and equipment for the benefit of Experience Kissimmee prior to its inception, which was recorded as revenue and support in the accompanying statements of activities.

<i>Year Ended September 30,</i>	2016		2015	
Contributed furniture and equipment	\$	-	\$	84,239
Other		-		(14,353)
	\$	-	\$	69,886

8. Employee Benefit Plan

Experience Kissimmee maintains a defined contribution plan (the “Plan”) that covers substantially all eligible employees. Participants may contribute a percentage of pre-tax earnings, as defined in the Plan, up to an annual maximum allowed under the Internal Revenue Code. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. Experience Kissimmee utilizes the IRS Safe Harbor matching formula for employer contributions based on the following: 100% of the first 3% of participants’ contributions, then 50% of the next 2% of participants’ contributions. Such percentages are subject to change at Experience Kissimmee’s discretion.

Experience Kissimmee can also make an elective contribution to eligible participants, regardless of whether the employee contributes to the Plan. The percentage of this contribution is subject to change at Experience Kissimmee’s discretion. To receive the employer discretionary contribution, the employee must still be actively employed on the last day of the Plan year. For the years ended September 30, 2016 and 2015, Experience Kissimmee elected to make matching contributions equal to 100% of the first 3% of eligible participants’ contributions, plus 50% of the next 2% of participants’ contributions, which amounted to \$98,079 and \$43,941, respectively.

9. Contingencies

In the normal course of conducting its business, Experience Kissimmee may be involved in litigation. Experience Kissimmee is not a party to any litigation which management believes could result in any judgments that would have a material adverse effect on its financial position, liquidity or results of future operations.

10. Subsequent Events

Experience Kissimmee has evaluated events and transactions occurring subsequent to September 30, 2016 as of March 6, 2017, which is the date the financial statements were available to be issued. Subsequent events occurring after March 6, 2017 have not been evaluated by management. No material events have occurred since September 30, 2016 that require additional recognition or disclosure in the financial statements.