

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

FINANCIAL STATEMENTS

Year Ended September 30, 2020

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INDEPENDENT AUDITORS' REPORT

January 22, 2021

Board of Directors
Business Development Board of
Martin County, Inc.
Stuart, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Business Development Board of Martin County, Inc.(BDBMC), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Business Development Board of Martin County, Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountants
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BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2020

Assets

Current assets

Cash and cash equivalents	\$	276,194
Accounts receivable		112,500
Total current assets		<u>388,694</u>

Property and equipment

Furniture and fixtures		9,675
Computer equipment		16,055
		<u>25,730</u>
Less Accumulated Depreciation		<u>25,730</u>
Net property and equipment		<u>-</u>
	\$	<u>388,694</u>

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$	9,295
Deferred revenue		3,500
Total Current liabilities		<u>12,795</u>

Net assets:

Without donor restrictions:

Undesignated		316,413
Board designated funds for operating reserve		59,486
Total net assets		<u>375,899</u>
	\$	<u>388,694</u>

Read Accompanying Notes to Financial Statements

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

	<u>Net Assets Without Donor Restrictions</u>
Changes in unrestricted net assets:	
Revenue, public and other support:	
Local government income	\$ 450,000
Membership dues	7,875
In-kind contributions	14,175
Business appreciation lunch	25,520
Interest income	53
Miscellaneous income	3,188
	<hr/>
Total revenue, public and other support	500,811
Expenses:	
Salaries and benefits	235,831
Programs and services	40,591
Occupancy	30,431
Outside services	34,355
Legal and accounting	23,875
General office expenses	34,301
Miscellaneous	2,324
Computer software and support	6,024
Forums and conferences	4,651
Business appreciation luncheon	15,448
Memberships	7,444
Travel and mileage	2,750
Insurance	5,635
	<hr/>
Total expenses	443,660
Change in net assets	57,151
Net assets:	
Beginning of Year	318,748
	<hr/>
End of Year	\$ 375,899
	<hr/> <hr/>

Read Accompanying Notes to Financial Statements

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ 57,151
Adjustments to reconcile net cash provided by operating activities	
Changes in Operating Assets and Liabilities:	
Accounts receivable	5,978
Prepaid expenses	171
Accounts payable and accrued expenses	354
Deferred revenue	<u>(7,300)</u>
Net cash provided by operating activities	<u>56,354</u>
Net Increase in Cash	56,354
Cash and cash equivalents	
Beginning of Year	<u>219,840</u>
End of Year	<u><u>\$ 276,194</u></u>

Read Accompanying Notes to Financial Statements

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020

Note A – Nature of Organization and Significant Accounting Policies

Nature of organization: Business Development Board of Martin County, Inc. (the BDBMC) is Martin County's official public-private partnership for economic development. Its mission is to champion and strengthen Martin County's economy by growing leading and emerging industries; accelerating entrepreneurship; building the next generation of workforce talent; being more business friendly; increasing the community's attractiveness to owners, earners, learners and business visitors; and increasing the non-residential tax base. It is the official partner of Enterprise Florida, Inc., the State of Florida's official economic development organization and works collaboratively to unite economic leadership both locally and regionally.

A summary of the BDBMC's significant accounting policies follows:

Basis of presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction: Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction: Net assets whose use is limited by donor-imposed and/or purpose restrictions.

The BDBMC does not have any net assets with donor restrictions. Net assets without donor restrictions are presently available for use by the BDBMC at the discretion of the Board of Directors.

Accounting estimates: The preparation of 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 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.

Cash and cash equivalents: For purposes of the statement of cash flows, the BDBMC considers all highly liquid, temporary investments purchased with an original maturity of three months or less to be cash equivalents. For the year ended September 30, 2020, the BDBMC held only cash. All of the BDBMC cash is held at two financial institutions which, at times, may exceed federally-insured limits individually. The BDBMC has not experienced any losses and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020

Note A – Nature of Organization and Significant Accounting Policies (Continued)

Accounts receivables: Accounts receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, assessing the creditor's ability to pay and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. The allowance for doubtful accounts at September 30, 2020 was zero.

Property and equipment: Property and equipment are recorded at cost. Depreciation is computed on the straight-line method over the following estimated useful lives of the depreciable assets. The BDBMC depreciates its assets using the following useful lives:

	<u>Years</u>
Furniture, fixtures and equipment	7
Computer equipment	5

Revenue recognition: Revenue from public funds is recognized when earned based on the terms of the BDBMC agreements with various local governments (see Note B). Membership dues are recognized as revenue ratably over the applicable membership term. Program revenue is recognized when the underlying event has occurred. Contributed services and the related expenses are recognized at their fair value in the period of use. Such support is only recognized when the underlying value of the services can be determined on a measurable and objective basis. Contributed services are recognized as contributions if the services: (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise have been purchased.

Functional allocation of expenses: The costs of providing the various programs and other activities of the BDBMC have been summarized in the notes to financial statements on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management.

Advertising and promotions: Advertising and promotion costs are expensed when incurred.

Income taxes: The BDBMC is exempt from federal and state income taxes under Section 501 (a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes. Therefore, the financial statements reflect no provision for income taxes.

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020

Note A – Nature of Organization and Significant Accounting Policies (Continued)

The BDBMC has evaluated its tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance listed above. With few exceptions, the BDBMC is no longer subject to income tax examinations by the U.S. federal or state tax authorities for years prior to 2017.

Recent accounting pronouncements

Grants and Contributions: During the year ended September 30, 2020, the Organization adopted FASB Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU No. 2018-08 requires that unconditional contributions (those that do not include a measurable performance-related or other barrier, or those in which the Organization has limited discretion over how the contribution should be spent) are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed 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. Contributions that include a measurable barrier or those for which the Organization has limited discretion over how the contributions should be spent are recorded as conditional contributions. Conditional contributions are not recognized until they have become unconditional; that is, when the conditions surrounding the indications of the barrier have been met. The adoption of ASU No. 2018-08 did not have an impact on the Organization's financial statements.

Revenue: Effective October 1, 2019, BDBMC adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) using the modified retrospective method. This guidance provides a five-step process to determine when and how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue upon transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received in exchange for those goods or services. This update also results in enhanced disclosures about revenue, providing guidance for transactions that were not previously addressed comprehensively, and improving guidance for multiple-element arrangements. There was no effect on BDBMC's financial statements as the adoption of ASU No 2014-09 did not result in a change of timing of the Organization's revenue recognition.

Note B – Public Funds and Membership Dues

The operations of the BDBMC are primarily supported through funding provided through an agreement with Martin County. The current agreement commenced on October 1, 2019 and extends for ten years and provides the basis of funding which is limited to business development activities within Martin County, Florida. During fiscal year ended September 30, 2020, revenue of \$450,000 was recognized as revenue from that contract. The contract will provide annual revenue of \$450,000. These agreements provide a substantial amount of annual support for the BDBMC.

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020

Note B – Public Funds and Membership Dues

A significant reduction in this support would have a significant effect on the BDBMC's programs and activities.

Additional revenue through private-sector sources includes membership dues, event income, and contributed services. Contributed services support of \$14,175 and the related expense was recognized for the years ended September 30, 2020. The support represents the contribution of legal services.

Note C – Property and Equipment

Property and equipment as of September 30, 2020, consist of the following:

Furniture, fixtures and equipment	\$	9,675
Computer equipment		16,055
		<u>25,730</u>
Less accumulated depreciation		(25,730)
	\$	<u><u>-</u></u>

Note D – Pension Plan

The BDBMC has a SIMPLE retirement plan (the Plan) covering all employees who are regularly scheduled more than 20 hours per week. The BDBMC will match employee contributions up to 3% of annual salary for all employees who participate. Employees are immediately vested in the contributions made on their behalf. Contributions amounted to \$1,762 for the year ended September 30, 2020.

Note E – Lease Commitments

The BDBMC leases its office space under an operating lease agreement with terms extending through July 31, 2021. The lease contains predetermined fixed escalations of the minimum rentals. Rent expense is recognized on a straight-line basis over the initial lease term and is adjusted for the rent escalation clause. Rent expense for the year ended September 30, 2020, was \$25,040, which included a charge for common area management expenses and real estate taxes. Future minimum payments under the lease which expires July 31, 2021, will be \$13,375.

Note F - Concentrations

The BDBMC receives 90% of its revenue under its contract with the Martin County Board of County Commissioners. That contract has a term of ten years, commencing on October 1, 2020.

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020

Note G – Functional Expenses

The BDBMC incurred expenses related to the services listed below for the year ended September 30, 2020:

	<u>Business attraction</u>	<u>Business retention & expansion</u>	<u>Business Assistance & entrepreneurship</u>	<u>Talent & Workforce</u>	<u>Total Program Services</u>
Salaries and benefits	23,034	59,184	23,034	59,184	164,436
Programs and services	16,280	684	14,015	-	30,979
Occupancy	5,173	6,086	3,347	3,043	17,649
Outside services	-	22,525	-	-	22,525
Legal and accounting	-	-	-	-	-
General office expenses	5,831	6,860	3,773	3,430	19,894
Miscellaneous	-	-	-	-	-
Computer software and support	1,024	1,205	663	602	3,494
Forums and conferences	2,326	2,325	-	-	4,651
Business appreciation luncheon	-	10,814	-	-	10,814
Memberships	2,889	2,889	-	-	5,778
Travel and mileage	917	917	-	-	1,834
Insurance	958	1,127	620	564	3,269
Total expenses	\$ 58,432	\$ 114,616	\$ 45,452	\$ 66,823	\$ 285,323

	<u>Community outreach</u>	<u>Management & general</u>	<u>Total Expenses</u>
Salaries and benefits	35,697	35,698	235,831
Programs and services	9,612	-	40,591
Occupancy	6,391	6,391	30,431
Outside services	11,830	-	34,355
Legal/accounting	-	23,875	23,875
General office expenses	7,203	7,204	34,301
Miscellaneous	-	2,324	2,324
Computer software and support	1,265	1,265	6,024
Forums and conferences	-	-	4,651
Business appreciation luncheon	4,634	-	15,448
Memberships	1,666	-	7,444
Travel and mileage	-	916	2,750
Insurance	1,183	1,183	5,635
	\$ 79,481	\$ 78,856	\$ 443,660

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020

Note H – Liquidity

The BDBMC’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 276,194
Accounts receivable	112,500
	<u>\$ 388,694</u>

The BDBMC has \$388,694 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The BDBMC has a goal to maintain financial assets, which consist of checking and money market accounts, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$110,000. The BDBMC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the BDBMC invests excess cash in money market accounts.

Note I – Board designated funds

On August 14, 2019, the board approved a 90-day operating reserve policy to help the BDBMC preserve its capacity for delivering its mission in the event of unforeseen financial shortages; enable the organization to sustain operations through delays in payments of committed funding; position it to accept and manage reimbursable grants; invest in one-time, nonrecurring expenses that will build capacity, such as business development, staff development, research; and to create an internal line of credit to manage cash flow and maintain financial flexibility. Board designated net assets at September 30, 2020 was \$59,486. The board did not increase the balance in fiscal 2020, but intends to increase that balance by \$20,000 annually for 3 or 4 years.

Note J – Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to September 30, 2020 to determine the need for any adjustments to and/ or disclosures within the audited financial statements for the year ended September 30, 2020. Management has performed their analysis through January 22, 2021, the date the report was available for release.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain. As of January 22, 2021 management has seen no negative impact on the organization related to COVID-19.