

BUSINESS DEVELOPMENT BOARD OF
MARTIN COUNTY, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

January 16, 2020

To The Executive Committee, and management
of Business Development Board of Martin County, Inc.

In planning and performing our audit of the financial statements of Business Development Board of Martin County, Inc. as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Business Development Board of Martin County, Inc.'s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, and the executive committee, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley, & Barnes PA

January 16, 2020

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

FINANCIAL STATEMENTS

Year Ended September 30, 2019

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Cash Flows	4
Notes to Financial Statements.....	5-9

INDEPENDENT AUDITORS' REPORT

January 16, 2020

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, 2019, 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, 2019, 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.

DiBartolomeo, McBee, Hartley & Barnes
Certified Public Accountants
Fort Pierce, Florida

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
 September 30, 2019

Assets

Current assets

Cash and cash equivalents	\$	219,840
Accounts receivable		118,478
Prepaid and other current assets		171
Total current assets		338,489

Property and equipment

Furniture and fixtures		9,675
Computer equipment		16,055
		25,730
Less Accumulated Depreciation		25,730
Net property and equipment		-
	\$	338,489

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$	8,941
Deferred revenue		10,800
Total Current liabilities		19,741

Net assets:

Without donor restrictions:		
Undesignated		259,290
Board designated funds for operating reserve		59,458
Total net assets		318,748
	\$	338,489

Read Accompanying Notes to Financial Statements

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

	<u>Net Assets Without Donor Restrictions</u>
Changes in unrestricted net assets:	
Revenue, public and other support:	
Local government income	\$ 450,000
Membership dues	15,375
In-kind contributions	10,275
Business appreciation lunch	21,731
Interest income	113
Miscellaneous income	1,109
Total revenue, public and other support	498,603
Expenses:	
Salaries and benefits	202,473
Programs and services	62,255
Occupancy	25,229
Outside services	12,725
General office expenses	30,433
Miscellaneous	11,660
Computer software and support	11,486
Forums and conferences	7,775
Business appreciation luncheon	15,801
Memberships	7,042
Travel and mileage	2,806
Insurance	3,078
Total expenses	392,763
Change in net assets	105,840
Net assets:	
Beginning of Year	212,908
End of Year	\$ 318,748

Read Accompanying Notes to Financial Statements

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.
STATEMENT OF CASH FLOWS
Year Ended September 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 105,840
Adjustments to reconcile net cash provided by operating activities	
Changes in Operating Assets and Liabilities:	
Accounts receivable	1,072
Prepaid expenses	6,775
Accounts payable and accrued expenses	7,849
Deferred revenue	<u>(825)</u>
Net cash provided by operating activities	<u>120,711</u>
Net Increase in Cash	120,711
Cash and cash equivalents	
Beginning of Year	<u>99,129</u>
End of Year	<u><u>\$ 219,840</u></u>

Read Accompanying Notes to Financial Statements

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

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, 2019, 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, 2019

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, 2019 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:

	Years
Furniture, fixtures and equipment	7
Computer equipment	5

Subsequent events: The BDBMC has evaluated subsequent events through January 16, 2020, noting no impact on the financial statements.

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, 2019

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 2016.

Recent accounting pronouncements: During the year ended September 30, 2019, the BDBMC adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added.

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 agreement in effect during the 2019 fiscal year expired effective September 30, 2019 and provided the basis of funding which is limited to business development activities within Martin County, Florida. During fiscal year ended September 30, 2019, revenue of \$450,000 was recognized as revenue from that contract. The new agreement commences on October 1, 2020 and extends for ten years. The new contract will provide annual revenue of \$450,000. These agreements provide a substantial amount of annual support for the BDBMC. 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 \$10,275 and the related expense was recognized for the years ended September 30, 2019. The support represents the contribution of legal services.

Note C – Property and Equipment

Property and equipment as of September 30, 2019, consist of the following:

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

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2019

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 \$2,616 for the year ended September 30, 2019.

Note E – Lease Commitments

The BDBMC leases its office space under an operating lease agreement with terms extending through July 31, 2020. 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, 2019, was \$24,381, which included a charge for common area management expenses and real estate taxes. Future minimum payments under the lease which expires July 31, 2020, will be \$13,375.

Note F – Functional Expenses

The BDBMC incurred expenses related to the services listed below for the year ended September 30, 2019:

	Business attraction	Business retention & expansion	Small business assistance	Total Program Services	Supporting Services		Total Expenses
					Community outreach	Management & general	
Salaries and benefits	37929	39,688	22,490	100,107	43,544	58,822	202,473
Programs and services	6240	15,884	30,300	52,424	9,831	-	62,255
Occupancy	4289	5,046	2,775	12,110	5,550	7,569	25,229
Outside services	297	893	595	1,785	595	10,345	12,725
General office expenses	5173	6,087	3,348	14,608	6,695	9,130	30,433
Miscellaneous	-	-	-	-	-	11,660	11,660
Computer software and support	1953	2,297	1,263	5,513	2,527	3,446	11,486
Forums and conferences	2746	2,224	190	5,160	381	2,234	7,775
Business appreciation luncheon	-	11,060	-	11,060	4,740	-	15,800
Memberships	2657	2,657	-	5,314	1,729	-	7,043
Travel and mileage	935	935	-	1,870	936	-	2,806
Insurance	526	614	339	1,479	677	922	3,078
Total expenses	\$ 62,745	\$ 87,385	\$ 61,300	\$ 211,430	\$ 77,205	\$ 104,128	\$ 392,763

BUSINESS DEVELOPMENT BOARD OF MARTIN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

Note G - 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, 2019.

Note H – Liquidity

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

Cash	\$ 219,840
Accounts receivable	118,478
	<u>\$ 338,318</u>

The BDBMC has \$338,318 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 \$126,000. 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, 2019 was \$59,458. The board intends to increase that balance by \$20,000 annually for 3 or 4 years.

DI BARTOLONEO, McBEE, HARTLEY & BAINES, P.A.

Certified Public Accountants

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