

Dallas Tourism Public Improvement District Corporation

Financial Report
September 30, 2021



C O N T E N T S

Page

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements.....	5



Independent Auditor's Report

To the Board of Directors of the
Dallas Tourism Public Improvement District Corporation
Dallas, Texas

We have audited the accompanying financial statements of Dallas Tourism Public Improvement District Corporation (Organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and changes in net assets 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 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 Dallas Tourism Public Improvement District Corporation as of September 30, 2021 and 2020, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 27, 2022

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 / Dallas, Texas 75201
Main: 972.490.1970

CPAs AND ADVISORS | WEAVER.COM

Dallas Tourism Public Improvement District Corporation

Statements of Financial Position

September 30, 2021 and 2020

	2021	2020
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 25,816,815	\$ 20,741,734
Accounts receivable	3,446,355	4,923,686
TOTAL ASSETS	\$ 29,263,170	\$ 25,665,420
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,208,637	\$ 624,906
Accrued liabilities	55,999	50,000
Total liabilities	1,264,636	674,906
NET ASSETS		
Net assets without donor restrictions	27,998,534	24,990,514
Total net assets	27,998,534	24,990,514
TOTAL LIABILITIES AND NET ASSETS	\$ 29,263,170	\$ 25,665,420

The Notes to Financial Statements
are an integral part of these statements.

Dallas Tourism Public Improvement District Corporation

Statements of Activities

Years Ended September 30, 2021 and 2020

	2021	2020
REVENUE AND OTHER SUPPORT		
Tourism Public Improvement District assessment	\$ 10,119,977	\$ 11,017,817
Partnerships and sponsorships	-	25,700
Interest income	27,211	210,989
Contribution from VisitDallas	-	24,107,340
	10,147,188	35,361,846
Total revenue and other support		
EXPENSES		
Incentives and sales efforts	2,420,430	3,678,924
Marketing	3,142,538	4,208,294
Sites and FAMS	306,689	921,314
Event funding applications	787,417	970,909
Management and research	482,094	591,891
	7,139,168	10,371,332
Total expenses		
Change in net assets	3,008,020	24,990,514
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	24,990,514	-
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	\$ 27,998,534	\$ 24,990,514

The Notes to Financial Statements
are an integral part of these statements.

Dallas Tourism Public Improvement District Corporation

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,008,020	\$ 24,990,514
Adjustments to reconcile change in net assets to net cash provided by operations		
Accounts receivable	1,477,331	(3,654,690)
Accounts payable	583,731	(641,090)
Accrued liabilities	5,999	47,000
	<u>5,075,081</u>	<u>20,741,734</u>
Net cash provided by operating activities	5,075,081	20,741,734
CASH FLOWS FROM INVESTING ACTIVITIES	\$ -	\$ -
CASH FLOWS FROM FINANCING ACTIVITIES	\$ -	\$ -
	<u>5,075,081</u>	<u>20,741,734</u>
Net change in cash and cash equivalents	5,075,081	20,741,734
CASH AND CASH EQUIVALENTS, beginning of year	<u>20,741,734</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 25,816,815</u></u>	<u><u>\$ 20,741,734</u></u>

The Notes to Financial Statements are an integral part of these statements.

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Dallas Tourism Public Improvement District Corporation (Organization) was incorporated on July 2, 2012, as a Texas nonprofit corporation. It was formed by resolution of the City of Dallas (City) under Chapter 372 of the Texas Local Government Code. The Organization is designed to significantly increase the funding available to market and provide incentives to enhance Dallas' performance as a convention and tourism destination.

The Organization is governed by a board of directors consisting of and elected by members of the Organization. The Organization is funded by the assessment of a fee of two percent of room rental rates by certain hotels with greater than 100 rooms in Dallas. The fees are remitted to the City by the hotels and then by the City to the Organization to implement the funded activities of the Organization.

On August 1, 2012, the Organization and VisitDallas entered into a contract with a term of 60 months for the provision of various services by VisitDallas to promote visitation and hotel activity through increased convention, group and leisure travel.

On July 30, 2017, the contract between the Organization and VisitDallas was extended by a term of 14 months. On October 1, 2018, the contract between the Organization and VisitDallas was extended by a term of 132 months.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization places its cash with high-credit-quality financial institutions to ensure full coverage within FDIC insurance limits. The organization uses minority-owned banks to the extent possible through an investing arrangement.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor stipulations. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no net assets with donor restrictions at September 30, 2021 or 2020.

Support and investment income having donor stipulations which are satisfied in the period the support is received are recorded as revenue and net assets without donor restrictions.

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

Additionally, the Organization's management of net assets without donor restrictions is based on the service plan adopted by the board. The allocation among service plan categories is reviewed annually for any necessary changes. Net assets without donor restrictions by service plan category consist of the following at September 30:

	2021	2020
Incentives & sales efforts	\$ 23,549,496	\$ 21,658,647
Marketing & promotions	1,072,968	665,039
Sites & FAMS	2,608,340	1,900,610
Event incentives	507,707	534,311
Operations/research/administration	260,023	231,907
 Total net assets without donor restrictions	 \$ 27,998,534	 \$ 24,990,514

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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Accounts Receivable

Under the provisions of the Organization, the assessed fees, which are 2% of the room rate per night in hotels with more than 100 rooms and subject to the City's hotel occupancy tax, are collected by the hotels and remitted to the City within 15 days following the end of the month. Assessments are disbursed to the Organization in the month following receipt by the City. Revenue from these fees is recognized when they are determinable and available to the Organization.

Accounts receivable consists of the following at September 30:

	2021	2020
VisitDallas	\$ 1,277,529	\$ 4,129,996
City of Dallas	2,168,826	793,690
	\$ 3,446,355	\$ 4,923,686

No allowances for the receivable amounts are deemed necessary by management as receivables reflect the actual amount received subsequent to year end.

In July 2020, the Organization purchased Texas Event Trust Funds Receivables from VisitDallas with a memorandum of understanding that VisitDallas will repay the Organization when the funds are remitted by the State. The balance of these receivables were \$1,277,529 and \$4,129,996 as of September 30, 2021 and September 30, 2020 respectively.

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

Income Taxes

The Organization is exempt from income taxes under Section 501(c) (6) of the Internal Revenue Code. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction. The Organization's informational returns are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Organization is no longer subject to income tax examinations by tax authorities for years prior to 2017.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Note 6 presents the natural classification detail of expenses by function. Certain costs have been allocated among the program categories based on management's estimates.

Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which supersedes all existing revenue recognition guidance under US GAAP. This guidance was subsequently clarified by ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* in March 2016. The new standard requires the recognition of revenue to depict the transfer of promised goods or services to customers while exercising extensive judgment and use of estimates. This accounting standard is effective for the Organization beginning in fiscal year 2021, and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This standard is effective for the Organization during FY 2021. The effects of this ASU did not have a material impact on the financial reporting of the Organization.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 seeks to assist entities in distinguishing between reciprocal and nonreciprocal transactions and determining whether a contribution is conditional. For transactions deemed to be contributions, entities should follow Topic 958. For transactions deemed to be exchanges, entities should follow Topic 606 - *Revenue from Contracts from Customers*. The amendments in this Update are effective for public business entities or NFPs for transactions in which the entity is the resource recipient for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The amendments in this Update are effective for public business entities or NFPs for transactions in which the entity is the resource provider for fiscal years beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. The effects of this ASU did not have a material impact on the financial reporting of the Organization.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. ASU 2016-02 is effective for the Organization beginning in fiscal year 2023. The Organization is currently evaluating the impact to its future financial statements.

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

Note 2. Funds Held by VisitDallas for Future Organization Expenditures

Historically, the Organization contributed 100% of fee revenue to VisitDallas, however, in December 2019, the board of directors of VisitDallas recommended that fee revenue previously contributed by the Organization in excess of the costs of services be returned to the Organization. Since then, the Organization reimburses VisitDallas monthly for project costs and management fees as incurred. Accounts payable represents amounts due to VisitDallas at September 30, 2021 and 2020.

The table below reflects the flow of restricted cash related to contributions and the return of such contributions during the year ended September 30, 2020:

Beginning of year	\$	28,058,227
Cash collections		6,328,743
Less: Organization expenditures		(7,866,146)
Net(advance) repayments of DTPID restricted cash for special event trust fund expenses		(2,722,673)
Net repayment of VisitDallas receivable/payable		(3,248,209)
DTPID contribution		<u>(20,549,942)</u>
Restricted cash for the DTPID at September 30 held by VisitDallas	\$	<u><u>-</u></u>

Note 3. City of Dallas Contract

On August 10, 2016, the Organization entered into a contract with the City for convention facility promotion, advertising and tourism development with a thirteen-year term until September 30, 2029, at the estimated annual amounts from \$11 million to \$17.4 million annually for a total of approximately \$293 million (based on 2.0% assessment attached to hotel stays that are subject to the City's hotel occupancy tax at hotels with 100 or more rooms). The contract does not contain a provision for renewal.

The contract coincides with the existence of the Organization, as set forth by its members in the creating petition and application. The City or the Organization may terminate the contract for cause subject to required timely written notice. Furthermore, the contract is subject to review and audit by the City. Such audits could result in a request for reimbursement by the City or termination of the contract.

Note 4. Concentrations

The Organization received 100% and 31% of its total support and revenue from the special assessment fees during the years ended September 30, 2021 and 2020, via hotel/motel occupancy assessment. The Organization received 0% and 68% of its total support and revenue from VisitDallas during the years ended September 30, 2021 and 2020, via contributions approved by the board of directors. VisitDallas represents 63% and 84% of the accounts receivable balance as of September 30, 2021 and 2020, respectively.

The City represents 37% and 16% of the accounts receivable balance as of September 30, 2021 and 2020, respectively. The Organization hired VisitDallas to implement the projects, as budgeted and approved by the Organization's Board of Directors, which represent more than 99% of expenses paid as recorded in the statements of activities and changes in net assets.

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

Note 5. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2021 and 2020, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 25,816,815	\$ 20,741,734
Accounts receivable	3,446,355	4,923,686
Financial assets available to meet cash needs for general expenditures within one year	\$ 29,263,170	\$ 25,665,420

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization is also required to comply with Ch. 2256 of the Texas Government Code as well as the investment policy of the City. For this reason, the availability of some financial assets may be affected by the governing service plan allocation.

Note 6. Functional Expenses

The table below presents expenses by both their nature and function for the year ended September 30, 2021:

	Program Services					Support Services	
	Incentives & Sales Efforts	Marketing	Sites and FAMS	Event Funding Applications	Total Program Services	Management and Research	Total
Convention & Event Commitments	\$ 1,588,059	\$ -	\$ -	\$ 787,417	\$ 2,375,476	\$ -	\$ 2,375,476
Marketing & Promotional Activities	5,039	1,668,733	9,062	-	1,682,834	500	1,683,334
Sponsorships	95,983	18,333	-	-	114,316	-	114,316
Professional Services	150,914	913,000	-	-	1,063,914	107,845	1,171,759
Tradeshows & Events	40,364	-	-	-	40,364	-	40,364
Advertising & PR	-	540,001	-	-	540,001	-	540,001
Client Development	540,071	2,471	297,293	-	839,835	426	840,261
Occupancy & Computer Services	-	-	-	-	-	8,964	8,964
Other Expenses	-	-	-	-	-	179,955	179,955
Research	-	-	-	-	-	183,763	183,763
Prof. Development, Dues & Registrations	-	-	241	-	241	-	241
Mail, Shipping, Supplies	-	-	93	-	93	641	734
Total expenses included in the expense section on the statement of activities	\$ 2,420,430	\$ 3,142,538	\$ 306,689	\$ 787,417	\$ 6,657,074	\$ 482,094	\$ 7,139,168

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

The table below presents expenses by both their nature and function for the year ended September 30, 2020:

	Program Services				Support Services		Total
	Incentives & Sales Efforts	Marketing	Sites and FAMS	Event Funding Applications	Total Program Services	Management and Research	
Convention & Event Commitments	\$ 2,103,772	\$ -	\$ -	\$ 639,368	\$ 2,743,140	\$ -	\$ 2,743,140
Marketing & Promotional Activities	52,354	2,182,523	-	-	2,234,877	474	2,235,351
Sponsorships	285,669	-	36,833	331,541	654,043	-	654,043
Professional Services	361,462	961,582	-	-	1,323,044	78,516	1,401,560
Tradeshows & Events	95,318	-	15,431	-	110,749	-	110,749
Advertising & PR	-	1,064,189	-	-	1,064,189	-	1,064,189
Client Development	780,349	-	869,050	-	1,649,399	-	1,649,399
Occupancy & Computer Services	-	-	-	-	-	14,503	14,503
Other Expenses	-	-	-	-	-	147,821	147,821
Research	-	-	-	-	-	346,188	346,188
Prof. Development, Dues & Registrations	-	-	-	-	-	405	405
Mail, Shipping, Supplies	-	-	-	-	-	3,984	3,984
Total expenses included in the expense section on the statement of activities	<u>\$ 3,678,924</u>	<u>\$ 4,208,294</u>	<u>\$ 921,314</u>	<u>\$ 970,909</u>	<u>\$ 9,779,441</u>	<u>\$ 591,891</u>	<u>\$ 10,371,332</u>

Note 7. Subsequent Events

Subsequent events have been evaluated through January 27, 2022, which is the date the financial statements were available to be issued. In October 2021, DTPID purchased \$4,413,936 in Texas Event Trust Funds Receivables from VisitDallas with a memorandum of understanding that VisitDallas will repay DTPID when the funds are remitted by the State.