

Dallas Tourism Public Improvement District Corporation

Financial Report
September 30, 2022



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Dallas Tourism Public Improvement District Corporation (the Organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, respectively, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued (or when applicable, one year after the date that the financial statements are available to be issued).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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The Board of Directors of the
Dallas Tourism Public Improvement District Corporation

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 31, 2023

Dallas Tourism Public Improvement District Corporation

Statements of Financial Position

September 30, 2022 and 2021

	2022	2021
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 25,014,343	\$ 25,816,815
Accounts receivable	8,130,372	3,446,355
Prepaid expenses	339,685	-
TOTAL ASSETS	\$ 33,484,400	\$ 29,263,170
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,977,440	\$ 1,208,637
Accrued liabilities	25,352	55,999
Total liabilities	2,002,792	1,264,636
NET ASSETS		
Net assets without donor restrictions	31,481,608	27,998,534
Total net assets	31,481,608	27,998,534
TOTAL LIABILITIES AND NET ASSETS	\$ 33,484,400	\$ 29,263,170

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, 2022 and 2021

	2022	2021
REVENUE AND OTHER SUPPORT		
Tourism Public Improvement District assessment	\$ 17,386,756	\$ 10,119,977
Interest income	78,721	27,211
	17,465,477	10,147,188
 EXPENSES		
Incentives and sales efforts	5,734,592	2,420,430
Marketing	5,241,769	3,142,538
Sites and FAMS	1,015,388	306,689
Event funding applications	1,319,953	787,417
Management and research	670,701	482,094
	13,982,403	7,139,168
Total expenses		
	3,483,074	3,008,020
Change in net assets		
	27,998,534	24,990,514
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year		
	27,998,534	24,990,514
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year		
	\$ 31,481,608	\$ 27,998,534

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,483,074	\$ 3,008,020
Adjustments to reconcile change in net assets to net cash (used in) provided by operations		
Accounts receivable	(4,684,017)	1,477,331
Prepaid expenses	(339,685)	-
Accounts payable	768,803	583,731
Accrued liabilities	(30,647)	5,999
	(802,472)	5,075,081
Net cash (used in) provided by operating activities	(802,472)	5,075,081
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net change in cash and cash equivalents	(802,472)	5,075,081
CASH AND CASH EQUIVALENTS, beginning of year	25,816,815	20,741,734
CASH AND CASH EQUIVALENTS, end of year	\$ 25,014,343	\$ 25,816,815

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, 2022 or 2021.

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:

	2022	2021
Incentives & sales efforts	\$ 25,237,731	\$ 23,549,496
Marketing & promotions	1,944,115	1,072,968
Sites & FAMS	3,339,498	2,608,340
Event incentives	497,666	507,707
Operations/research/administration	462,598	260,023
Total net assets without donor restrictions	\$ 31,481,608	\$ 27,998,534

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.

In May 2022, the Organization purchased Texas Event Trust Fund receivables from VisitDallas with a memorandum of understanding that VisitDallas guarantee repayment to the Organization when funds are remitted by the Governor’s Office. The balance of these receivables was \$5,299,961 and \$1,277,529 as of September 30, 2022, and September 30, 2021, respectively.

Accounts receivable consists of the following at September 30:

	2022	2021
VisitDallas	\$ 5,299,961	\$ 1,277,529
City of Dallas	2,830,411	2,168,826
	\$ 8,130,372	\$ 3,446,355

No allowance for doubtful accounts was recorded against the municipal receivable based on historical experience and full realization subsequent to year end.

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 2018.

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 September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958). This ASU requires that not-for-profit entities present nonfinancial assets, in a separate line item in the statement of activities. Not-for-profits will also be required to disclose: disaggregated contributed nonfinancial assets by amount and category that describes the type of contributed nonfinancial assets, qualitative information about amounts used by category during the reporting period, the entity's policy regarding monetizing any contributions instead of utilizing them, any donor-imposed restrictions tied to contributions received, a description of valuation techniques utilized to fair value any contributions, and the principal market used to fair value any contributions. The Organization adopted ASU 2020-07 effective October 1, 2020 using the modified retrospective approach. Adoption of ASU 2020-07 did not have a material effect on the Organization's financial statements.

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, and early implementation is allowed. The Organization adopted ASU 2016-02 effective October 1, 2021 using the modified retrospective approach. Adoption of ASU 2016-02 did not have a material effect on the Organization's financial statements.

Note 2. VisitDallas

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 includes amounts due to VisitDallas of \$1,864,249 and \$1,208,636 at September 30, 2022 and 2021, respectively.

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

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 100% of its total support and revenue from the special assessment fees during the years ended September 30, 2022 and 2021, via hotel/motel occupancy assessment. VisitDallas represents 65% and 37% of the accounts receivable balance as of September 30, 2022 and 2021, respectively.

The City represents 35% and 63% of the accounts receivable balance as of September 30, 2022 and 2021, 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.

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, 2022 and 2021, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 25,014,343	\$ 25,816,815
Accounts receivable	8,130,372	3,446,355
Financial assets available to meet cash needs for general expenditures within one year	\$ 33,144,715	\$ 29,263,170

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.

Dallas Tourism Public Improvement District Corporation

Notes to Financial Statements

Note 6. Functional Expenses

The table below presents expenses by both their nature and function for the year ended September 30, 2022:

	Program Services				Support Services		Total
	Incentives & Sales Efforts	Marketing	Sites and FAMS	Event Funding Applications	Total Program Services	Management and Research	
Convention & Event Commitments	\$ 3,755,871	\$ -	\$ -	\$ 1,319,953	\$ 5,075,824	\$ -	\$ 5,075,824
Marketing & Promotional Activities	46,256	3,289,297	201,280	-	3,536,833	-	3,536,833
Sponsorships	698,584	30,000	10,000	-	738,584	-	738,584
Professional Services	20,677	973,606	20,340	-	1,014,623	240,647	1,255,270
Tradeshows & Events	928,751	-	12,888	-	941,639	-	941,639
Advertising & PR	-	948,796	54,239	-	1,003,035	-	1,003,035
Client Development	270,053	-	712,654	-	982,707	4,993	987,700
Occupancy & Computer Services	14,400	70	1,162	-	15,632	8,772	24,404
Other Expenses	-	-	126	-	126	138,599	138,725
Research	-	-	-	-	-	276,788	276,788
Prof. Development, Dues & Registrations	-	-	-	-	-	-	-
Mail, Shipping, Supplies	-	-	2,699	-	2,699	902	3,601
Total expenses included in the expense section on the statement of activities	<u>\$ 5,734,592</u>	<u>\$ 5,241,769</u>	<u>\$ 1,015,388</u>	<u>\$ 1,319,953</u>	<u>\$ 13,311,702</u>	<u>\$ 670,701</u>	<u>\$ 13,982,403</u>

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

	Program Services				Support Services		Total
	Incentives & Sales Efforts	Marketing	Sites and FAMS	Event Funding Applications	Total Program Services	Management and Research	
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	<u>\$ 2,420,430</u>	<u>\$ 3,142,538</u>	<u>\$ 306,689</u>	<u>\$ 787,417</u>	<u>\$ 6,657,074</u>	<u>\$ 482,094</u>	<u>\$ 7,139,168</u>

Note 7. Subsequent Events

Subsequent events have been evaluated through January 31, 2023, which is the date the financial statements were available to be issued.